

United States  
Circuit Court of Appeals  
For the Ninth Circuit.

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COMMISSIONER OF INTERNAL REVENUE,  
Petitioner,  
vs.

MARIAN OTIS CHANDLER  
Respondent.

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Transcript of the Record

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Upon Petition to Review an Order of the United States  
Board of Tax Appeals.

FILED

OCT - 8 1936

PAUL P. O'BRIEN,



United States  
Circuit Court of Appeals

For the Ninth Circuit.

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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in *italic*; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in *italic* the two words between which the omission seems to occur.]

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## APPEARANCES:

For Petitioner:

GEORGE M. THOMPSON, C.P.A.

A. CALDER MACKAY, Esq.

For Commissioner:

M. B. LEMING, Esq.

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Docket No. 67468.

MARIAN OTIS CHANDLER,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

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## DOCKET ENTRIES.

Transferred to Mr. Van Fossan: 5/13/35.

1932

Aug. 20—Petition received and filed. Taxpayer notified. (Fee paid).

Aug. 22—Copy of petition served on General Counsel.

Oct. 20—Answer filed by General Counsel.

Oct. 28—Copy of answer served on taxpayer. Circuit Calendar.

1933

Aug. 3—Hearing set week beginning Sept. 25, 1933  
—Long Beach, Calif.

## 1933

- Oct. 5—Hearing had before Mr. Van Fossan, Div. 9. Submitted on merits. Consol. with 67468-76. Brief due 12/4/33. Pet's reply due Dec. 18, 1933. Stip. of facts filed and amended answer 10/5/33. Amended petition filed 9/25/33.
- Oct. 16—Transcript of hearing Oct. 5, 1933 filed.
- Nov. 27—Motion for extension to Feb. 2, 1934 to file brief, filed by taxpayer. 11/28/33 granted to 1/10/34 both sides.

## 1934

- Jan. 5—Brief filed by General Counsel.
- Jan. 9—Brief filed by taxpayer. 1/9/34 copy served.
- Jan. 30—Reply brief filed by taxpayer.
- Apr. 9—Memorandum Opinion rendered by Mr. Van Fossan—Div. 9—Decision will be entered under Rule 50.
- May 4—Motion for Board review of the Memo. Opinion filed by General Counsel.
- May 7—Order that Board review Memorandum Opinion of April 9th, entered.
- May 28—Memorandum in opposition to motion for reconsideration filed by taxpayer. 5/29/34 copy served.

## 1935

- June 7—Opinion rendered Mr. Van Fossan—Div. 9. Decision will be entered under Rule 50.
- July 6—Notice of settlement filed by taxpayer. 7/9/35 copy served.



1935

July 9—Hearing set July 17, 1935 on settlement.  
7/9/35 copy served.

July 13—Notice of settlement filed by General Counsel.

July 17—Hearing had before Mr. Sternhagen Div. 10 on settlement under rule 50. Decision in accordance with respondent's recomputation—Mr. Van Fossan for decision.

July 22—Transcript of hearing July 17-35 filed.

July 24—Consent to settlement filed by taxpayer.

July 26—Decision entered Div. 15—Black. [1\*]

Oct. 19—Petition for review by U. S. Circuit Court of Appeals, 9th Circuit, with assignments of error filed by General Counsel.

Nov. 2—Proof of service filed by General Counsel.

Dec. 16—Motion for extension to 3/17/36 to complete record filed by General Counsel.

Dec. 16—Order enlarging time to 3/17/36 to prepare and deliver record, entered.

1936

Feb. 14—Statement of evidence lodged by General Counsel.

Feb. 18—Notice of lodgment of statement and of hearing Mar. 4, 1936 to approve statement filed by General Counsel.

Feb. 18—Praecipe with proof of service thereon filed.

Feb. 24—Motion for extension to 4/20/36 to settle and transmit record, respondent allowed until 4/1/36 to file objections to Statement of Evidence, filed by taxpayer.

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\*Page numbering appearing at the foot of page of original certified Transcript of Record.

1936

- Feb. 24—Order enlarging time 4-20-36 for preparation and delivery of record, and to strike from calendar of 3/4/36 and to place on calendar of 4-1-36 on approval of statement of evidence entered.
- Mar. 27—Motion to continue hearing to April 15, 1936 filed by General Counsel. 3/28/36 granted.
- Mar. 28—Motion for extension to April 15, 1936 to file objections or counter statement filed by taxpayer. 3/28/36 granted.
- Apr. 15—Motion for extension to June 17, 1936 to settle and transmit record filed by General Counsel.
- Apr. 15—Order enlarging time to prepare and deliver record to June 17, 1936, entered.
- Apr. 16—Statement of evidence approved and ordered filed.
- June 13—Certified copy from 9th Circuit re transmission of record filed.
- June 15—Order enlarging time to July 15, 1936 for transmission and delivery of record entered. [2]



United States Board of Tax Appeals.

Docket No. 67468.

MRS. MARIAN OTIS CHANDLER

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

PETITION.

The above named Petitioner hereby petitions for a redetermination of the deficiency set forth by the Commissioner of Internal Revenue in his notice of deficiency symbols IT:AR:E-1, NF-60D, dated July 1, 1932, and as a basis of her appeal alleges as follows:

(1) The Petitioner is an individual residing in the city of Los Angeles, State of California, whose business address is Times Building, Los Angeles, California.

(2) The notice of deficiency (a copy of which is attached and marked "Exhibit A") was mailed to Petitioner on July 1, 1932.

(3) The taxes in controversy are income taxes for the calendar year 1929 and in the sum of \$163,175.03.

(4) The determination of tax set forth in the said notice of deficiency is based upon the following errors:

(a) The Respondent has erroneously increased net income by the sum of \$661,369.56.

(b) Respondent has erroneously and illegally determined that Petitioner realized income in the sum of \$661,369.56 in a transaction whereby Petitioner exchanged [3] certain notes owned by her and executed by the Chandis Securities Company, a corporation, together with accrued interest due upon said notes for stock in the said Chandis Securities Company and failed to treat the transaction as being within the meaning of Section 112 (b) of the Revenue Act of 1928.

(c) Respondent has erroneously and illegally determined that certain stock in the Chandis Securities Company received by the Petitioner in exchange for certain notes of the said Company owned by her together with accrued interest thereon had a market value equal to the par value of the stock so received. The stock did not have a market value in excess of 50 per cent of its par value.

(d) The alleged gain or income which the Respondent is attempting to tax for the year 1929, does not constitute taxable income within the meaning of the provisions of the Revenue Act of 1928, and/or the Sixteenth Amendment to the Constitution of the United States.

(5) The facts upon which the Petitioner relies as a basis of this proceeding are as follows:

(a) Petitioner's books of account have at all times been kept upon the cash receipts and disbursements basis and her income tax return for the year 1929 was prepared and filed on said basis.

(b) Petitioner owned certain notes executed by the Chandis Securities Company, a corporation, aggregating in principal the sum of \$810,687.06. Interest had accrued upon Petitioner's interest in said notes to December 31, 1929, aggregating the sum of \$661,369.56. [4]

(1) The total of the notes executed by the Chandis Securities Company, a corporation, together with the accrued interest thereon of which the sum set forth in (b) above represents a part owned by the Petitioner and her children is as follows:

## Comm. of Internal Revenue

	Note Principal	Accrued Interest to Dec. 31, 1929	Total
Marian Otis Chandler (Petitioner).....	\$ 810,687.06	\$ 661,369.56	\$1,472,056.62
Franceska Chandler Kirkpatrick.....	179,490.04	148,525.02	328,015.06
May Chandler Goodan.....	179,490.04	148,525.01	328,015.05
Helen Chandler .....	130,474.68	103,866.62	234,341.30
Philip Chandler.....	130,474.68	103,866.62	234,341.30
Ruth Chandler Williamson.....	130,474.69	103,866.62	234,341.31
Harrison Gray Chandler.....	130,474.68	103,866.62	234,341.30
Constance Chandler.....	130,474.70	103,866.63	234,341.33
Norman Chandler.....	116,508.03	99,305.58	215,813.61
TOTAL.....	\$1,938,548.60	\$1,577,058.28	\$3,515,606.88



(2) The Chandis Securities Company was incorporated during the year 1916 with an authorized capital stock of \$500,000.00, divided into 500 shares of a par value of \$1,000.00 each, which stock, prior to the Company acquiring the notes hereinbefore mentioned in the manner hereinafter set forth, was issued as follows:

	<u>Number of Shares</u>
Marian Otis Chandler (Petitioner).....	200
Franceska Chandler Kirkpatrick.....	35
May Chandler Goodan.....	35
Helen Chandler .....	35
Philip Chandler .....	35
Ruth Chandler Williamson.....	35
Harrison Gray Chandler.....	35
Constance Chandler .....	35
Norman Chandler .....	35
Harry Chandler .....	20
	<hr/>
	500
	<hr/> <hr/>

(3) The Chandis Securities Company realizing its inability to pay [5] the notes and accrued interest mentioned in paragraph (b) (1) above, secured the consent of the noteholders to a plan whereby the said company would increase its capital stock to five million dollars, divided into 50,000 shares of the par value of \$100.00 each and thereafter acquired from the said noteholders their notes and the accrued interest thereon by the issuance of one share of its stock of the par value of \$100.00 per share for each \$100.00 of note principal, and accrued interest.

(4) The Chandis Securities Company in furtherance of the above plan, increased its capital stock to five million dollars, divided into 50,000 shares of the par value of \$100.00 each and issued to the Petitioner and the other noteholders, one share of its stock (par value \$100.00) for each \$100.00 of note principal and accrued interest.

(5) The Chandis Securities Company issued to its stockholders 10 shares of the new stock of the par value of \$100.00 per share for each share of the old stock having a par value of \$1,000.00.

(6) In completion of the foregoing plan, the stock of the Chandis Securities Company was issued for note principal and accrued interest and in exchange for the old stock (with fractional shares being paid for in cash) and immediately thereafter the stock was issued and outstanding as follows:

Name	Notes and Interest to Dec. 31, 1929	Shares in Exchange for Notes	Cash for Frac- tional Share	Total	Issue of Stock for Stock	Total Shares Out- standing
Marian Otis Chandler.....	\$1,472,056.62	14,720	\$ 43.38	14,721	2,000	16,721
Franceska Chandler Kirkpatric.....	328,015.06	3,280	84.94	2,344	350	3,631
May Chandler Goodan.....	328,015.05	3,280	84.95	2,344	350	3,631
Helen Chandler.....	234,341.30	2,343	58.70	2,344	350	2,694
Philip Chandler.....	234,341.30	2,343	58.70	2,344	350	2,694
Ruth Chandler Williamson.....	234,341.31	2,343	58.69	2,344	350	2,694
Harrison Gray Chandler.....	234,341.30	2,343	58.70	2,344	350	2,694
Constance Chandler.....	234,341.33	2,343	58.67	2,344	350	2,694
Norman Chandler.....	215,813.61	2,158	86.39	2,159	350	2,509
Harry Chandler.....					200	200
	<hr/> \$3,515,606.88 <hr/>	<hr/> 35,153 <hr/>	<hr/> \$593.12 <hr/>	<hr/> 33,288 <hr/>	<hr/> 5,000 <hr/>	<hr/> 40,162 <hr/>

[6]

(c) Respondent has treated the transaction whereby Petitioner acquired stock in the Chandis Securities Company for her notes and accrued interest thereon as a payment of the accrued interest and has included as taxable income on this account the sum of \$661,369.56, contrary to the provisions of Section 112 (b) of the Revenue Act of 1928.

(1) The 14,720 shares of stock of the Chandis Securities Company received by the Petitioner on account of her ownership in the notes executed by the said Chandis Securities Company did not have a market value in excess of \$736,000.00.

(2) Petitioner's cost basis in the notes equals the principal of the said notes and is \$810,687.06.

(6) Petitioner prays for relief from the deficiency asserted by the Respondent on the following and each of the following particulars:

(a) The records of the Petitioner are kept upon the cash receipts and disbursements basis and her income tax return for the calendar year 1929 was filed upon said basis.

(b) The transaction whereby Petitioner acquired stock in the Chandis Securities Company for her interest in the notes executed by said Company, together with the accrued interest thereon, was in connection with a reorganization within the meaning of Section 112 (b) (3) and/or Section 112 (b) (5) of the Revenue Act of 1928. Therefore, Petitioner



did not realize any taxable income from said transaction.

(c) The stock of the Chandis Securities Company received by the Petitioner for her interest in the notes executed by the Chandis Securities Company together with accrued interest thereon did not have a market value in excess of \$736,000.00. Therefore, [7] Petitioner realized no taxable income from the said transaction.

WHEREFORE, Petitioner prays that this Board may hear and redetermine the deficiency herein alleged.

GEORGE M. THOMPSON

JOHN T. RILEY

MARSHALL D. HALL

Counsel for Petitioner,  
505 Title Insurance Building,  
Los Angeles, California.

State of California

County of Los Angeles—ss.

Marian Otis Chandler being duly sworn, says that she is the Petitioner above named; that she has read the foregoing Petition or had the same read to her and is familiar with the statements therein contained; and that the facts therein stated are true except such facts as are recited to be upon information and belief and those facts she believes to be true.

MARIAN OTIS CHANDLER

Subscribed and sworn to before me this 10th day of Aug., 1932.

[Seal]

C. O. DENNING

Notary Public in and for the County of Los Angeles, State of California. My Commission expires Sept. 11, 1935. [8]

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EXHIBIT A  
TREASURY DEPARTMENT  
WASHINGTON

Jul. 1, 1932.

Office of  
Commissioner of Internal Revenue  
Mrs. Marian Otis Chandler,  
c/o John T. Riley,  
505 Title Insurance Building,  
Los Angeles, California.

Madam:

You are advised that the determination of your tax liability for the year(s) 1929 discloses a deficiency of \$163,175.03, as shown in the statement attached.

In accordance with section 272 of the Revenue Act of 1928, notice is hereby given of the deficiency mentioned. Within sixty days (not counting Sunday as the sixtieth day) from the date of the mailing of this letter, you may petition the United States Board of Tax Appeals for a redetermination of your tax liability.

HOWEVER, IF YOU DO NOT DESIRE TO PETITION, you are requested to execute the enclosed agreement form and forward it to the Commissioner of Internal Revenue, Washington, D. C., for the attention of IT:C:P-7. The signing of this agreement will expedite the closing of your return(s) by permitting an early assessment of any deficiency and preventing the accumulation of interest charges, since the interest period terminates thirty days after filing the enclosed agreement, or on the date assessment is made, whichever is earlier; WHEREAS IF NO AGREEMENT IS FILED, interest will accumulate to the date of assessment of the deficiency.

Respectfully,

DAVID BURNET,

Commissioner.

By (Signed) J. C. WILMER

Deputy Commissioner.

Enclosures:

Statement

Form 882

Form 870 [9]

## STATEMENT.

IT:AR:E-1

NF-60D

In re: Mrs. Marian Otis Chandler,  
 c/o John T. Riley,  
 505 Title Insurance Building,  
 Los Angeles, California.

## TAX LIABILITY.

Year—1929.

Tax Liability—\$178,656.06.

Tax Assessed—\$15,481.03.

Deficiency—\$163,175.03.

The deficiency shown herein is based upon the revised report of Internal Revenue Agent Charles W. Donnally covering your tax liability for the year 1929.

Careful consideration has been accorded your protests dated December 17, 1931 and March 28, 1932, in connection with the findings of the examining officer, and the information submitted at a conference held in the office of the internal revenue agent in charge.

Your return has been adjusted as follows:

Net income reported on return	\$119,493.11
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Add:

1. Salary	\$19,404.40	
2. Error in computation	.20	
3. Interest income	661,369.56	680,774.16

Net income adjusted	\$800,267.27
---------------------	--------------



## EXPLANATION OF CHANGES.

1. It is held by this office that in applying the United States Supreme Court decision in the case of Robert K. Malcolm, all community income as defined by Income Tax Ruling 2457, Cumulative Bulletin VIII-1, page 89, must be divided equally between husband and wife where original separate income tax returns were filed. It is necessary, therefore, to include in your return one-half of the salary reported by your husband, which under the ruling referred to above represents community income. Your income has accordingly been increased by one-half of \$38,808.80, or \$19,404.40. A [10] corresponding decrease in income has been made in your husband's return, resulting in an over-assessment of tax of which he will be advised in a subsequent communication from this Bureau.

2. Deduction listed on your return were overstated by \$0.20.

3. Interest on notes of the Chandis Securities Company for the years 1916 to 1929, inclusive, paid in stock of the company during 1929, has been included in taxable income.

Interest on these notes, which were originally issued for assets turned over to the company, ran at the rate of 5% compounded annually. The interest through the year 1923 was incorporated in notes, and for subsequent years was accrued in accounts of the corporation. None of the interest was paid prior to 1929, although the corporation, keep-

ing its books and filing its returns on the accrual basis, deducted for each year substantial amounts of interest on this indebtedness.

During the year 1929, arrangements were made whereby notes payable in a total amount of \$3,515,606.88, representing the principal of \$1,938,548.60 and accrued interest of \$1,577,058.28 were turned into the corporation and cancelled in exchange for corporate stock of the same par amount as the total of the principal and accrued interest.

It is contended by you that the relinquishment of the notes and interest debts for stock issued in proportion to the ownership in the notes and debts, after which action the former noteholders possessed more than 80% of the outstanding stock, resulted in a transfer of property to a corporation controlled by the transferors and was a nontaxable exchange under section 112(b)(5) of the Revenue Act of 1928.

In this connection, it is held that "property" as contemplated by section 112(b)(5) must be property within the meaning of the tax law generally. Such property must be either income or capital, and capital consists of original capital and capital derived through income.

From this viewpoint, it is believed that an analogy exists in the rulings pertaining to uncollectible interest claimed as a bad debt. In the decision of the United States Board of Tax Appeals in the case of Charles A. Collin, 1 Board of Tax Ap-

peals, [11] 305, it was held that a taxpayer who keeps his accounts on a cash basis may not deduct from gross income as a bad debt an item of accrued interest which he had not at any time previously treated as income or reported as taxable income.

There could be no loss of property unless the interest had been reported as income. Also, there could be no property transferable for stock until the interest debt claimed as property had been reported as income.

It is held by this office that the transaction in question resulted in a payment of the interest, and interest is an item of income. Section 22(a) of the Revenue Act of 1928.

#### COMPUTATION OF TAX.

Total net income adjusted	\$800,267.27
Less:	
Capital net gain included	290.00
	<hr/>
Ordinary net income adjusted	\$799,977.27
Less:	
Dividends	110,679.46
	<hr/>
Net income subject to normal tax	\$689,297.81
Normal tax at $1\frac{1}{2}\%$ on \$4,000.00	\$ 20.00
Normal tax at $2\%$ on \$4,000.00	80.00
Normal tax at $4\%$ on \$681,297.81	27,251.91
Surtax on \$799,977.27	151,655.45
Tax at $12\frac{1}{2}\%$ on \$290.00	36.25
	<hr/>
Total	\$179,043.61

Less:

Earned income credit	\$210.36	
Tax paid at source	177.19	387.55
	<hr/>	<hr/>
Total amount assessable		\$178,656.06
Tax previously assessed		15,481.03
		<hr/>
Deficiency in tax		\$163,175.03
		[12]

### COMPUTATION OF EARNED INCOME CREDIT.

Earned net income	\$20,460.40
Normal tax at $\frac{1}{2}\%$ on \$4,000.00	20.00
Normal tax at 2% on \$4,000.00	80.00
Normal tax at 4% on \$12,460.40	498.42
Surtax on \$20,460.40	243.02
	<hr/>
Total tax	\$ 841.44
Credit of 25%	\$ 210.36

Consent, which will expire December 31, 1932, except as extended by the provisions of section 277 of the Revenue Act of 1928, is on file.

[Endorsed]: Filed August 20, 1932. [13]



[Title of Court and Cause.]

ANSWER.

Comes now the Commissioner of Internal Revenue, by his attorney, C. M. Charest, General Counsel for the Bureau of Internal Revenue, and for answer to petition of above-named taxpayer admits and denies as follows, to-wit:

1, 2, 3. Admits the allegations contained in paragraphs 1, 2, and 3 of the petition.

4. Denies the allegations of error contained in paragraphs 4(a) to (d), inclusive, of the petition.

5. Denies the allegations contained in paragraphs 5(a) to (c), inclusive, of the petition.

Denies generally and specifically each and every allegation set forth in the petition not hereinbefore admitted, qualified, or denied.

WHEREFORE, it is prayed that the appeal be denied.

C. M. CHAREST,  
General Counsel,  
Bureau of Internal Revenue.

Of Counsel:

MASON B. LEMING,  
JOHN R. GASKINS,  
Special Attorneys,  
Bureau of Internal Revenue.

[Endorsed]: Filed Oct. 20, 1932. [14]

[Title of Court and Cause.]

FIRST AMENDED PETITION.

Comes now the Petitioner and having first obtained leave of the Board files this as her First Amended Petition appealing from the determination of the Respondent set forth in his deficiency letter dated July 1, 1932, symbols IT:AR:E-1, NF-60D, and as the basis of this proceeding alleges as follows:

(1) The Petitioner is an individual residing in the City of Los Angeles, State of California, whose business address is Times Building, Los Angeles, California.

(2) The notice of deficiency, copy of which is attached to the original petition, was mailed to the Petitioner on or about July 1, 1932.

(3) The taxes in controversy are income taxes for the calendar year 1929 and in the sum of \$163,175.03.

(4) The determination of tax set forth in the said notice of deficiency is based upon the following errors:

(a) The Respondent has erroneously increased net income by the sum of \$661,369.56.

(b) Respondent has erroneously and illegally determined that Petitioner realized income in the sum of \$661,369.56 in a transaction whereby Petitioner exchanged certain notes owned by her and executed by the Chandis Securities Company, a corporation, together with

accrued interest [15] due upon said notes for stock in the said Chandis Securities Company and failed to treat the transaction as a non-taxable transaction within the meaning of the provisions of the Revenue Act of 1928.

(c) Respondent has erroneously and illegally determined that certain stock in the Chandis Securities Company received by the Petitioner in exchange for certain notes of the said Company owned by her together with accrued interest thereon had a market value equal to the par value of the stock so received. The stock did not have a market value in excess of 50 per cent of its par value.

(d) The alleged gain or income which the Respondent is attempting to tax for the year 1929, does not constitute taxable income within the meaning of the provisions of the Revenue Act of 1928, and/or the Sixteenth Amendment to the Constitution of the United States.

(e) The Respondent's action in determining that the gain, if any, realized by Petitioner on account of the surrender by her of promissory notes for stock in the Chandis Securities Company was erroneous and illegal since Petitioner did not, during the year 1929, surrender her notes or receive said stock.

(5) The facts upon which the Petitioner relies as a basis of this proceeding are as follows:

(a) Petitioner's books of account have at all times been kept upon the cash receipts and disbursements basis and her income tax return for the year 1929 was prepared and [16] filed on said basis.

(b) Petitioner owned certain notes executed by the Chandis Securities Company, a corporation, aggregating in principal the sum of \$810,687.06. Interest had accrued upon Petitioner's interest in said notes to December 31, 1929, aggregating the sum of \$661,369.56.

(1) The total of the notes executed by the Chandis Securities Company, a corporation, together with the accrued interest thereon of which the sum set forth in (b) above represents a part owned by the Petitioner and her children is as follows:



	Note Principal	Accrued Interest to Dec. 31. 1929	Total
Marian Otis Chandler (Petitioner).....	\$ 810,687.06	\$ 661,369.56	\$1,472,056.62
Franceska Chandler Kirkpatrick.....	179,490.04	148,525.02	328,015.06
May Chandler Goodan.....	179,490.04	148,525.01	328,015.05
Helen Chandler .....	130,474.68	103,866.62	234,341.30
Philip Chandler.....	130,474.68	103,866.62	234,341.30
Ruth Chandler Williamson.....	130,474.69	103,866.62	234,341.31
Harrison Gray Chandler.....	130,474.68	103,866.62	234,341.30
Constance Chandler.....	130,474.70	103,866.63	234,341.33
Norman Chandler.....	116,508.03	99,305.58	215,813.61
TOTAL.....	\$1,938,548.60	\$1,577,058.28	\$3,515,606.88

(2) The Chandis Securities Company was incorporated during the year 1916 with an authorized capital stock of \$500,000.00, divided into 500 shares of a par value of \$1,000.00 each, which stock, prior to the Company acquiring the notes hereinbefore mentioned in the manner hereinafter set forth, was issued as follows: [17]

	<u>Number of Shares</u>
Marian Otis Chandler (Petitioner).....	200
Franceska Chandler Kirkpatrick.....	35
May Chandler Goodan.....	35
Helen Chandler .....	35
Philip Chandler .....	35
Ruth Chandler Williamson.....	35
Harrison Gray Chandler.....	35
Constance Chandler .....	35
Norman Chandler .....	35
Harry Chandler .....	20
	<hr/> 500 <hr/> <hr/>

(3) The Chandis Securities Company realizing its inability to pay the notes and accrued interest mentioned in paragraph (b) (1) above, secured the consent of the noteholders to a plan whereby the said company would increase its capital stock to five million dollars, divided into 50,000 shares of the par value of \$100.00 each and thereafter acquire from the said noteholders their notes and the accrued interest thereon by the issuance of one share of its stock of the par value of \$100.00 per share for each \$100.00 of note principal, and accrued interest.

(4) The Chandis Securities Company in furtherance of the above plan, increased its capital stock to five million dollars, divided into 50,000 shares of the par value of \$100.00 each and issued to the Petitioner and the other noteholders, one share of its stock (par value \$100.00) for each \$100.00 of note principal and accrued interest.

(5) The Chandis Securities Company during the year 1930 issued to its stockholders 10 shares of the new stock of the par value of \$100.00 per share for each share of the old stock having a par value of \$1,000.00. [18]

(6) The stock of the Chandis Securities Company was not issued during the year 1929, neither was it received by Petitioner during said year. Petitioner did not surrender her promissory notes, nor did she receive anything therefor until after the close of the year 1929. Consequently no part of the sum of \$661,369.56 constitutes taxable income within the meaning of the provisions of the Revenue Act of 1928 or the Sixteenth Amendment to the Constitution of the United States of America.

(7) In completion of the foregoing plan, the stock of the Chandis Securities Company was issued for note principal and accrued interest and in exchange for the old stock (with fractional shares being paid for in cash) and immediately thereafter the stock was issued and outstanding as follows:

Name	Notes and Interest to Dec. 31, 1929	Shares in Exchange for Notes	Cash for Frac- tional Share	Total	Issue of Stock for Stock	Total Shares Out- standing
Marian Otis Chandler.....	\$1,472,056.62	14,720	\$ 43.38	14,721	2,000	16,721
Franceska Chandler Kirkpatrick.....	328,015.06	3,280	84.94	2,344	350	3,631
May Chandler Goodan.....	328,015.05	3,280	84.95	2,344	350	3,631
Helen Chandler.....	234,341.30	2,343	58.70	2,344	350	2,694
Philip Chandler.....	234,341.30	2,343	58.70	2,344	350	2,694
Ruth Chandler Williamson.....	234,341.31	2,343	58.69	2,344	350	2,694
Harrison Gray Chandler.....	234,341.30	2,343	58.70	2,344	350	2,694
Constance Chandler.....	234,341.33	2,343	58.67	2,344	350	2,694
Norman Chandler.....	215,813.61	2,158	86.39	2,159	350	2,509
Harry Chandler.....					200	200
	<u>\$3,515,606.88</u>	<u>35,153</u>	<u>\$593.12</u>	<u>33,288</u>	<u>5,000</u>	<u>40,162</u>



(c) Notwithstanding the foregoing, the Respondent has treated the transaction whereby Petitioner acquired stock in the Chandis Securities Company for her notes and accrued interest thereon as a payment of the accrued interest and has erroneously [19] and illegally included in Petitioner's net taxable income for the year 1929 on this account the sum of \$661,369.56, contrary to the provisions of the Revenue Act of 1928 and the Sixteenth Amendment to the Constitution of the United States of America.

(1) The 14,720 shares of stock of the Chandis Securities Company received by Petitioner during the year 1930 on account of her ownership in the notes executed by the said Chandis Securities Company did not have a fair market value at the date received in excess of \$736,000.00.

(2) Petitioner's cost basis in the notes equals the principal of the said notes and is \$810,687.06,

WHEREFORE, Petitioner prays that this Board may hear and redetermine the deficiency in accordance with the foregoing. Petitioner prays for such other and further relief as may be deemed meet and proper in the premises.

GEORGE M. THOMPSON

JOHN T. RILEY

MARSHALL D. HALL

Counsel for Petitioner,  
505 Title Insurance Building,  
Los Angeles, California.

A. CALDER MACKAY

Attorney for Petitioner,  
1104 Pacific Mutual Bldg.,  
Los Angeles, California. [20]

State of California

County of Los Angeles—ss.

Marian Otis Chandler being duly sworn, says that she is the Petitioner above named; that she has read the foregoing First Amended Petition or had the same read to her and is familiar with the statements therein contained; and that the facts therein stated are true except such facts as are recited to be upon information and belief and those facts she believes to be true.

(Signed) MARIAN OTIS CHANDLER

Subscribed and sworn to before me this 28 day of August, 1933.

[Seal] (Signed) C. O. DENNING

Notary Public in and for the County of Los Angeles, State of California.

[Endorsed]: Filed Sept. 25, 1933. [21]

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[Title of Court and Cause.]

ANSWER TO AMENDED PETITION.

Comes now the Commissioner of Internal Revenue, by his attorney, E. Barrett Prettyman, General Counsel, Bureau of Internal Revenue and for answer to the amended petition filed by the above-named taxpayer admits and denies as follows, to-wit:

1, 2, 3. Admits the allegations contained in paragraphs 1, 2, and 3 of the amended petition.

4. Denies the allegations of error contained in paragraphs 4(a) to (e), inclusive, of the amended petition.

5(a). Admits the allegations contained in paragraph 5(a) of the amended petition.

5(b). Admits that petitioner owned certain notes executed by the Chandis Securities Company, a corporation, aggregating in principal the sum of \$810,687.06 and interest had accrued upon said notes to December 31, 1929, aggregating the sum of \$661,369.56, but denies the remaining allegations of paragraph 5(b) of the amended petition.

5(b)(1). Admits the allegations contained in paragraph 5(b)(1) of the amended petition.

5(b)(2). Admits the Chandis Securities Company was incorporated during the year 1916 with an authorized capital stock of \$500,000.00, [22] divided into 500 shares of a par value of \$1,000.00 each, but denies the remaining allegations of paragraph 5(b)(2) of the amended petition.

5(b)(3). Admits the Chandis Securities Company secured the consent of the noteholders to a plan whereby the said company would increase its capital stock to five million dollars, divided into 50,000 shares of the par value of \$100.00 each and thereafter acquire from the said noteholders their notes and the accrued interest thereon by the issuance of one share of its stock of the par value of \$100.00 per share for each \$100.00 of note principal, and accrued interest. Denies all other allegations contained in paragraph 5(b)(3) of the amended petition.



5(b)(4). Admits that the Chandis Securities Company increased its capital stock to five million dollars, divided into 50,000 shares of the par value of \$100.00 each and issued to the petitioner and the other noteholders, one share of its stock (par value \$100.00) for each \$100.00 of note principal and accrued interest. Denies all other allegations set forth in paragraph 5(b)(4) of the amended petition.

5(b)(5). Denies the allegations contained in paragraph 5(b)(5) of the amended petition.

6. Denies the allegations contained in paragraph 6 of the amended petition.

7. Denies the allegations contained in paragraph 7 of the amended petition.

7(c). Admits the respondent has treated the transaction whereby petitioner acquired stock in the Chandis Securities Company for her notes and accrued interest thereon as a payment of the accrued interest and [23] included in petitioner's net taxable income for the year 1929 on this account the sum of \$661,369.56, but denies the remaining allegations set forth in paragraph 7(c) of the amended petition.

7(c)(1). Denies the allegations contained in paragraph 7(c)(1) of the amended petition.

7(c)(2). Denies the allegations contained in paragraph 7(c)(2) of the amended petition.

Denies generally and specifically each and every allegation set forth in the amended petition not hereinbefore admitted, qualified or denied.

WHEREFORE, it is prayed that the appeal be denied.

E. BARRETT PRETTYMAN  
General Counsel,  
Bureau of Internal Revenue.

Of Counsel:

MASON B. LEMING,  
Special Attorney,  
Bureau of Internal Revenue.

[Endorsed]: Filed Oct. 5, 1933. [24]

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[Title of Court and Cause.—Docket Nos. 67468, 67469, 67470, 67471, 67472, 67473, 67474, 67475, 67476.]

A. Calder Mackay, Esq. and George M. Thompson, Esq., for the petitioners. M. B. Leming, Esq., for the respondent.

#### MEMORANDUM OPINION.

VAN FOSSAN: These proceedings were brought to redetermine deficiencies in the income taxes of the petitioners for the year 1929 in the following amounts: [25]



Docket No.	Petitioner	Deficiency
67468	Mrs. Marian Otis Chandler	\$163,175.03
67469	Ruth Chandler Williamson	24,466.69
67470	Harrison Gray Chandler	17,915.53
67471	Constance Chandler	17,515.10
67472	May Chandler Goodan	29,620.90
67473	Norman Chandler	19,235.24
67474	Dr. John L. Kirkpatrick	28,721.39
67475	Helen Chandler	17,522.91
67476	Philip Chandler	17,587.26

Two issues are presented:

(1) Was the transaction by which petitioners exchanged certain notes and interest for stock consummated in 1929 or 1930?

(2) Did the petitioners realize taxable income by reason of such exchange?

The following facts were stipulated in part and in part adduced by testimony:

In 1916 Harry Chandler incorporated the Chandis Securities Company, hereinafter called the company, with a capital stock of 500 shares of the par value of \$1,000 per share for which stock he transferred to it certain real and personal property. He transferred 200 shares of such shares to his wife, Marian Otis Chandler, and 280 shares thereof to his children, all of whom are the petitioners. Later he transferred other properties to the company for its promissory notes which he assigned to his wife and children in approximately the same proportion as their stockholdings. The notes so assigned and in-

terest accrued to December 31, 1923, were in the following amounts: [26]

	Note Principal	Accrued Interest to Dec. 31, 1923
Marian Otis Chandler	\$810,687.06	\$294,950.76
Franceska Chandler		
Kirkpatrick	179,490.04	66,533.84
May Chandler Goodan	179,490.04	66,533.83
Helen Chandler	130,474.68	45,648.37
Philip Chandler	130,474.68	45,648.36
Ruth Chandler Williamson	130,474.69	45,648.36
Harrison Gray Chandler	130,474.68	45,648.36
Constance Chandler	130,474.70	45,648.37
Norman Chandler	116,508.03	45,789.36
Total	\$1,938,548.60	\$702,049.61

On December 31, 1923, the Chandis Securities Company listed new notes for the foregoing notes and accrued interest to the petitioners which notes and interest accrued to December 31, 1929, were as follows:

	Note Principal	Accrued Interest to Dec. 31, 1929
Marian Otis Chandler	\$1,105,637.82	\$366,418.80
Franceska Chandler Kirpatrick	246,023.88	81,991.18
May Chandler Goodan	246,023.87	81,991.18
Helen Chandler	176,123.05	58,218.25
Philip Chandler	176,123.04	58,218.26
Ruth Chandler Williamson	176,123.05	58,218.26
Harrison Gray Chandler	176,123.04	58,218.26
Constance Chandler	176,123.07	58,218.26
Norman Chandler	162,297.39	53,516.22
Total	\$2,640,598.21	\$875,008.67

On October 14, 1929, the board of directors of the company passed a resolution increasing its capital stock from 500 shares of the par value \$1,000 per share to 50,000 shares of the par value of \$100 per share and, pursuant thereto, filed the certificate reciting such action, as required by the state statute.

On December 18, 1929, the board of directors of the company passed a resolution authorizing the company's officers to apply to the Corporation [27] Commissioner of the State of California for permission to sell or issue 40,000 shares of its capital stock at par to liquidate the indebtedness of the company to its stockholders represented by the above notes. Said resolution contained the following recitals and provisions:

WHEREAS, Chandis Securities Company is indebted to the following named persons, to-wit:—

Marian Otis Chandler  
Franceska C. Kirkpatrick  
May C. Goodan  
Helen Chandler  
Philip Chandler  
Ruth C. Williamson  
Harrison G. Chandler  
Constance Chandler  
Norman Chandler

in the aggregate principal sum of \$2,640,598.21 all of which is evidenced by several promissory notes of this company held by said persons, dated December 31st, 1923, due on or before the 31st day of December, 1928, which notes bear interest at the rate of 5% per annum, compounded annually, on which no part of said principal or accrued interest has been paid, and

WHEREAS, the aforesaid persons have expressed their willingness and have offered to accept stock in this corporation at full par value thereof in full or part payment of their respective notes together with interest thereon.

NOW, THEREFORE, be it resolved that, subject to the approval of the Commissioner of Corporations of the State of California, this corporation issue to any and/or all of the aforesaid persons in liquidation and payment of all or part of the indebtedness as aforesaid, to-



gether with interest thereon accrued to the time of the issuance, fully paid stock in this corporation at its par value for the amount of the indebtedness so liquidated and paid, and that this corporation take and receive from the persons aforesaid a cancellation and satisfaction of said notes to the extent that stock may be so issued to the respective holders thereof, [28]

AND BE IT FURTHER RESOLVED, That the President and Secretary of this corporation be and they are hereby, authorized and empowered to make application to the Commissioner of Corporations of the State of California, for a permit to sell and/or issue to and/or among the foregoing persons only, and one other, forty thousand shares of the capital stock of this corporation, at par, either,

(a) For cash, lawful money of the U. S., and/or

(b) Such amount thereof as may be necessary to pay, liquidate and discharge not to exceed the amount of the indebtedness to said persons, hereinbefore referred to, for principal and/or interest accrued on said notes to the time when said stock may be issued.

On December 20, 1929, the company filed such application which was granted on December 26, 1929. The permit contained the following provision:

1. To issue to any or all of the persons named in its application filed on the 20th day of December, 1929, an aggregate of not to ex-



ceed 35,156 shares of its capital stock as consideration for the cancellation of the indebtedness of applicant to them, described in said application; \$100.00 of such indebtedness to be cancelled upon the issuance of each of said shares.

By its terms the permit expired December 26, 1931. Subsequent to January 2, 1930, the company received permission to replace its old capital stock with new stock.

(A table showing the stockholdings of the taxpayers and consideration therefor was incorporated in the stipulation.)

On January 2, 1930, the petitioners surrendered their notes in exchange for the stock certificates issued by the company that day and the notes thereupon were cancelled. The certificates were actually [29] delivered in May, 1930. The cancelled notes each bear on the face a receipt signed by the respective former holder as follows: "January 2, 1930. The receipt of capital stock of Chandis Securities Company in full settlement of principal and accrued interest to December 31, 1929 is hereby acknowledged."

From 1924 to 1929 the company accrued interest on the above described notes at 5 per cent per annum and deducted such interest on its income tax returns. The company kept its books and made its income tax returns on the accrual basis while each petitioner kept his books and filed his returns on the cash receipts and disbursements basis. The in-

dividuals did not report any interest received in connection with the above notes.

The notes in question were in the custody of Horace Downing, secretary of the company, throughout the year 1929. The balance sheet of the company, on December 31, 1929, lists the notes of the petitioners among its liabilities. The books of the company contain appropriate entries to show that the transactions were consummated in 1930. It was stipulated that the value of the stock of the company was \$60 per share at any time material to this proceeding.

If it be decided that the transaction of exchange was consummated in 1930 such determination disposes of the cases. There would be no need to consider the second issue. On the facts found above we are of the opinion that petitioners' contention that the exchange was made in 1930 is well taken. [30]

The record discloses that on December 18, 1929, the petitioner, as owners of the above described notes issued on December 31, 1923, expressed their willingness to exchange them for stock in the company in proportion to the respective amounts of such notes and unpaid interest thereupon. The company thereupon proceeded to apply for permission to issue the additional capital stock required to accomplish the exchange. Such a permit was a prerequisite to the contemplated exchange and an issuance without such permit would have been void. See Section 12 of the Corporate Securities Act (Calif.). On December 26, 1929, the Commissioner of Corporations issued his permit authorizing the company to issue to the taxpayer:

“An aggregate of not to exceed 35,156 shares of its capital stock as consideration for the cancellation of the indebtedness of applicant to them, described in said application; \$100.00 of such indebtedness to be cancelled upon the issuance of each of said shares.”

The permit thus required that the exchange should involve simultaneous cancellation of the notes and issue of stock,—that the cancellation and issuance were to coincide in time. The company had no right to issue and, hence, the petitioners had no right to acquire, the new stock until the notes were surrendered and cancelled. The acts were mutually dependent and the transaction which is asserted to be the source of income could not have been completed without both acts.

The record discloses that the petitioners' notes were surrendered and cancelled on January 2, 1930, and the stock certificates were issued on that day or later in that month but as of January 2, 1930. [31] They were delivered in May, 1930. In this situation we are of the opinion that the exchange took place in 1930 and that, therefore, the taxpayers could not have received any income from the exchange of their notes for stock before January 2, 1930. In support of this conclusion it appears that the company's books reflect the continued ownership of the notes by the petitioners through December 31, 1929, and the consummation of the exchange in 1930.

The conclusion reached above disposes of the case and requires a finding for the petitioners. We need



not inquire whether taxpayers received income in 1930 as a result of the exchange.

Decision will be entered under Rule 50.

Entered Apr. 9, 1934. [32]

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[Title of Court and Cause.—Docket Nos. 67468, 67469, 67470, 67471, 67472, 67473, 67474, 67475, 67476.]

### MOTION FOR RECONSIDERATION.

Comes now the Commissioner of Internal Revenue, by his attorney, Robert H. Jackson, General Counsel, Bureau of Internal Revenue, and moves the Board to reconsider the Memorandum Opinion of a division of the Board entered in the above entitled cases April 9, 1934, disapproving deficiencies determined by the respondent in these proceedings in an aggregate amount of \$335,760.05, exclusive of statutory interest thereon.

Questions of law alone are involved.

Briefly, the petitioners constituted one family which organized and owned all of the capital stock of the Chandis Securities Company. The petitioners also held the corporation's interest bearing promissory notes in substantial amounts for property or money turned over by them to the corporation several years prior to 1929. The corporation accrued interest from year to year on its books of account on the aforesaid promissory notes. Thus

the matter stood when in the year 1929 the [33] corporation proposed to pay the principal amounts of said notes together with the accrued interest thereon by the issuance to the petitioners of other shares of its capital stock. The petitioners accepted the corporation's offer and the agreement became effective subject only to the issuance by the Commissioner of Corporations of California of a permit to issue the requisite shares of stock. The permit was issued December 26, 1929, at Los Angeles, California.

The petitioners became entitled to certificates for the aforesaid shares of stock in payment of the interest so due them immediately upon the issuance by the Corporation Commissioner of the said permit with the surrender by them of the corporation's notes. The notes were in the custody of the secretary of the corporation at the time of the agreement and at the time the permit was issued and continuously throughout the year 1929. The notes were not marked canceled, however, until January 2, 1930. The certificates evidencing the stock were not delivered to the petitioners until in May, 1930.

As already said, the petitioners constituted a family organization and were the organizers and owners of all the stock of the Chandis Securities Company. The stock of the corporation was closely held; the corporation was, at all times, under the complete dominion of the Chandler family; the corporation had accrued interest on the aforesaid notes on its books of account from year to year and had



regularly deducted said amounts in rendering its own income tax returns over a long period of years, but had not paid the said interest to the petitioners. The petitioners never reported any of the interest in their own returns for any year for the stated reason that their returns were made upon [34] the cash receipts basis. They claim not to have received the interest in any year and, therefore, are not taxable on it in any year; they have never paid any tax on the interest in any year. The respondent determined that the petitioners received the interest in the year 1929 through the medium of the stock of the corporation in accordance with the agreement between the petitioners and the company as approved by the Corporation Commissioner of California. These appeals were taken from that determination of the respondent, but the petitioners took no exception, in their original petitions, to the respondent's finding that they received the stock of the company in the year 1929. Time went on, the statute of limitations ran against the year 1930, then, for the first time, and at the hearing of these proceedings, the petitioners amended their petitions and said they did not receive the stock (in payment of the said interest) until in the year 1930.

The memorandum opinion of the division of the Board entered herein as aforesaid, agreed with the contention of the petitioners to the effect that they did not receive the shares of stock in question until in the year 1930 and said further that this disposed of the cases. The said memorandum opinion omitted

therefore to pass upon the real substantive question in these proceedings, namely, whether the petitioners should include the said interest in their income tax returns for the year 1929. (The fair market value of the stock of the company at all times material to these proceedings was agreed upon at the hearing and that fact is not in dispute).

With the greatest deference to the division of the Board which heard [35] these proceedings, the respondent has every assurance and confidently believes that upon reconsideration the Board will have no difficulty in resolving otherwise the only question decided by the division. The said memorandum opinion contravenes a long line of decisions of the Board itself to say nothing of decisions of the courts which have become established law. This is so, for the clear and unmistakable reason that the interest was available to these petitioners in the year 1929 through the medium of the stock of the corporation which they had the right to take up at will. The shares of stock, the certificates of stock themselves, were available to the petitioners in the year 1929 upon demand and surrender of the company's notes. There can be no room for dispute about that. The petitioners had the right to demand their interest through the medium of the receipt of the stock in the year 1929; the corporation was under obligation to issue the stock to them; the corporation was compelled so to do, but aside from the pure compulsion resting upon the corporation, the petitioners were and are the corporation; they

owned it; they controlled it; they dominated it completely; the corporation acted when they acted; the corporation had no springs of action except by and through the petitioners; if the petitioners willed that the corporation should act, it acted; if the petitioners willed that the corporation should not act, the corporation did not act. That is the short and simple truth. No reason was advanced by the petitioners and there could have been none for the delaying of the marking of the notes as cancelled until the first business day of the year 1930. The Board held in *Security First National Bank of Los Angeles, et al.*, 28 B. T. A. 289, that unpaid interest coupons on bonds [36] which became due during the taxable period there in question, but not presented for payment, was properly included in taxable income in the year in which due where the taxpayer owned and controlled the debtor companies and where the debtor companies were solvent. The Board declined to permit the taxpayer, on the cash receipts basis, to select the year in which he might be taxed on said bond interest. Also, in *Alice H. Moran*, 26 B. T. A. 1154, the Board refused to follow the taxpayer's scheme of selection of the year or years in which interest should be reported for taxation. A somewhat analogous situation was presented in *James E. Lewis*, 30 B. T. A. No. 47, holding that the taxpayer there could have received his portion of certain syndicate profits in the taxable year had he demanded payment, and charged him with constructive receipt of the same. It is sound



to hold that interest is taxable to a taxpayer on the cash receipts basis in the year the interest is available, whether the taxpayer elects to reduce it to possession in the taxable year or not. It has been said that constructive receipt of income is the right to obtain immediate possession of cash or its equivalent (in this case, the agreed fair market value of the stock). The principle has been applied to interest, compensation for services, gains, profits and dividends. Availability and dominion constitute the sources of the principle, and it is sound. In the instant cases, interest was available to the petitioners in the year 1929 through the medium of the stock (having an agreed fair market value); the petitioners could have obtained it upon demand; the corporation was obliged to issue the stock upon demand, but aside from the legal compulsion upon the corporation the petitioners had complete dominion over the acts of the corporation; [37] the corporation acted as they willed. The memorandum opinion in the instant cases does not distinguish these proceedings from the long line of Board and Court decisions which hold that dominion and availability of income are the determinative factors. No reason is given in said memorandum opinion for not following and applying the principles now so thoroughly established by decisions of the Board and of the Courts in circumstances undisputably present in these proceedings. Compare also *G. H. & H. L. Chisholm*, 29 B. T. A. No. 228.

The memorandum opinion not only contravenes the decisions of the Board and Courts in such cir-



cumstances, but it is contrary in principle to the decisions of the Courts of California whereof the petitioners are residents. The corporation was under obligation to issue the certificates of stock upon demand with the surrender and cancellation of the aforesaid notes, after the issuance of the Corporation Commissioner's permit and it could have been compelled to do so, *Cortelyou v. Imperial Land Co.*, 166 Cal. 14, 134 Pac. 981; s. c. 156 Cal. 373, 104 Pac. 695; *Noble v. Learned*, 153 Cal. 245, 94 Pac. 1047, affirming 7 Cal. Unrep. Cas. 297, 87 Pac. 402; Par. 5165, *Fletcher's Cyclopedia of the Law of Private Corporations*, Revised and Permanent Edition, Vol. 11. However, the issuance of certificates of stock in the year 1929 was not necessary to constitute the petitioners, owners of the said shares, *Hughes Manufacturing & Lumber Co. v. Wilcox*, 108 Pac. 871, 873. There can be no doubt on that score. See Pars. 5091 and 5092, *Fletcher's Cyclopedia*, supra, where many decisions of the Supreme Court of the United States and of the Courts of the State of California are collected. As regards the petitioners' liability as stockholders to [38] creditors of the corporation, compare *Hughes Mfg. & Lbr. Co. v. Wilcox*, supra; *Ahern, et al., v. Tulare Lake Canal Co.*, 1 Pac. (2) 490, 493; *Schlitz v. Thomas*, 216 Pac. 51, 55; *United States National Bank of Los Angeles v. Stiller, et al.*, (Sept. 14, 1932) 14 Pac. (2) 78, holding in action upon stockholders' liability, stockholders liable on basis of stock actually owned, not lesser amount standing in

their names on corporation's books; and that stockholders became owners of stock purchased on day agreed upon for issuance and transfer (in the instant cases upon issuance of Corporation Commissioner's permit), although actual issuance and transfer took place later.

The Chandis Securities Company owned interest to the petitioners in the year 1929 in an aggregate amount of \$1,577,058.28. Of this amount, \$702,049.61 was represented by the corporation's promissory notes and \$875,008.67 stood as credits to petitioners' accounts on the books of the corporation. The respondent earnestly insists no distinction may be made in respect of the liability of these petitioners to income tax on all of the aforesaid interest, and the liability of any other taxpayer, who having the right, nevertheless, omits to reduce income to possession. It is respectfully urged that in so far as the promissory notes are concerned, representing \$702,049.61 of the interest, no distinction can be made between the notes and the case of any other taxpayer holding bond interest coupons. A taxpayer who holds bond interest coupons and who fails to present them for payment is nevertheless taxable upon the interest when due and available upon demand. In the circumstances of this case the promissory notes of the corporation held by the petitioners were [39] in all respects the same as bond interest coupons and nothing stood between them and payment on and after December 26, 1929, except petitioners' personal preferences. Likewise,

in respect of the interest amounting to \$875,008.67 standing to petitioners' credit in open accounts on the books of the corporation, nothing stood between the petitioners and payment on and after December 26, 1929, except their personal preferences. The application for permit to issue stock in payment of all of the aforesaid interest was made on December 20, 1929, and the permit was issued December 26, 1929, at Los Angeles. There is no sound reason for saying these petitioners may escape tax through a simple omission to reduce to possession income to which they became unrestrictedly entitled in the taxable year. It is quibbling to say that anything stood between them and payment on and after December 26, 1929, except their personal preferences.

WHEREFORE, it is prayed that the Board reconsider the memorandum opinion of the division of the Board entered April 9, 1934.

ROBERT H. JACKSON,  
General Counsel,  
Bureau of Internal Revenue.

Of Counsel:

MASON B. LEMING,  
Special Attorney,  
Bureau of Internal Revenue.

[Endorsed]: Filed May 4, 1934. [40]



[Title of Court and Cause.—Docket Nos. 67468, 67469, 67470, 67471, 67472, 67473, 67474, 67475, 67476.]

ORDER.

Pursuant to the authority contained in section 601(b) of the Revenue Act of 1928, I hereby direct that the memorandum opinion of Division No. 9 in the above entitled proceeding, dated April 4, 1934, and entered April 9, 1934, be reviewed by the Board.

EUGENE BLACK

Chairman.

Dated: Washington, D. C., May 7, 1934. [41]

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[Title of Court and Cause<sup>1</sup>.]

Docket Nos. 67468-67476.

Promulgated June 7, 1935.

Where a corporation was granted permission by the state commissioner of corporations on December 26, 1929, to issue shares of its capital stock as consideration for the cancellation of an indebtedness to certain of its stockholders, including interest thereon, \$100 of such indebtedness to be canceled upon the issuance of each share, and the stockholders to whom the corporation was indebted surrendered and canceled the corporate notes on January 2, 1930, and thereafter on that

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<sup>1</sup>Proceedings of the following petitioners are consolidated herewith: Ruth Chandler Williamson; Harrison Gray Chandler; Constance Chandler; May Chandler Goodan; Norman Chandler; John L. Kirkpatrick; Helen Chandler; and Philip Chandler.



day or later the stock certificates were issued, held, the transaction was not concluded until the year 1930 and income from such exchange did not arise in the year 1929.

A. Calder Mackay, Esq., and George M. Thompson, Esq., for the petitioners. M. B. Leming, Esq., for the respondent.

### OPINION.

VAN FOSSAN: These proceedings were brought to redetermine deficiencies in the income taxes of the petitioners for the year 1929 in the following amounts:

Petitioner	Docket No.	Deficiency
Marian Otis Chandler.....	67468	\$163,175.03
Ruth Chandler Williamson.....	67469	24,466.69
Harrison Gray Chandler.....	67470	17,915.53
Constance Chandler .....	67471	17,515.10
May Chandler Goodan.....	67472	29,620.90
Norman Chandler .....	67473	19,235.24
John L. Kirkpatrick.....	67474	28,721.39
Helen Chandler .....	67475	17,522.91
Philip Chandler .....	67476	17,587.26

Two issues are presented:

(1) Was the transaction by which petitioners exchanged certain notes and interest for stock consummated in 1929 or 1930? [42]

(2) Did the petitioners realize taxable income by reason of such exchange?

The facts were stipulated in part and in part adduced by testimony.

In 1916 Harry Chandler incorporated the Chandis Securities Co., hereinafter called the company, with a capital stock of 500 shares of the par value of \$1,000 per share, for which stock he transferred to it certain real and personal property. He transferred 200 of such shares to his wife, Marian Otis Chandler, and 280 shares thereof to his children, all of whom are petitioners. Later he transferred other properties to the company for its promissory notes, which he assigned to his wife and children in approximately the same proportion as their stockholdings. The notes so assigned and interest accrued to December 31, 1923, were in the following amounts:

	Note principal	Accrued in- terest to Dec. 31, 1923
Marian Otis Chandler.....	\$810,687.06	\$294,950.76
Franceska Chandler Kirk- patrick.....	179,490.04	66,533.84
May Chandler Goodan .....	179,490.04	66,533.83
Helen Chandler.....	130,474.68	45,648.37
Philip Chandler.....	130,474.68	45,648.36
Ruth Chandler Williamson ...	130,474.69	45,648.36
Harrison Gray Chandler .....	130,474.68	45,648.36
Constance Chandler.....	130,474.70	45,648.37
Norman Chandler.....	116,508.03	45,789.36
Total .....	1,938,548.60	702,049.61

On December 31, 1923, the Chandis Securities Co. issued new notes for the foregoing notes and accrued interest to the petitioners, which notes and interest accrued to December 31, 1929, were as follows:

	Note principal	Accrued in- terest to Dec. 31, 1929
Marian Otis Chandler.....	\$1,105,637.82	\$366,418.80
Franceska Chandler Kirk- patrick .....	246,023.88	81,991.18
May Chandler Goodan .....	246,023.87	81,991.18
Helen Chandler.....	176,123.05	58,218.25
Philip Chandler .....	176,123.04	58,218.26
Ruth Chandler Williamson	176,123.05	58,218.26
Harrison Gray Chandler .....	176,123.04	58,218.26
Constance Chandler.....	176,123.07	58,218.26
Norman Chandler.....	162,297.39	53,516.22
Total .....	2,640,598.21	875,008.67

On October 14, 1929, the board of directors of the company passed a resolution increasing its capital stock from 500 shares of the par value \$1,000 per share to 50,000 shares of the par value of \$100 per share and, pursuant thereto, filed the certificate reciting such action, as required by the state statute.

[43]

On December 18, 1929, the board of directors of the company passed a resolution authorizing the company's officers to apply to the Corporation Com-

missioner of the State of California for permission to sell or issue 40,000 shares of its capital stock at par to liquidate the indebtedness of the company to its stockholders represented by the above notes. The resolution contained the following recitals and provisions:

WHEREAS, Chandis Securities Company is indebted to the following named persons, to-wit:

Marian Otis Chandler

Franceska C. Kirkpatrick

May O. Goodan

Helen Chandler

Philip Chandler

Ruth C. Williamson

Harrison G. Chandler

Constance Chandler

Norman Chandler

in the aggregate principal sum of \$2,640,598.21 all of which is evidenced by several promissory notes of this company held by said persons, dated December 31st, 1933, due on or before the 31st day of December, 1928, which notes bear interest at the rate of 5% per annum, compounded annually, on which no part of said principal or accrued interest has been paid, and

WHEREAS, the aforesaid persons have expressed their willingness and have offered to accept stock in this corporation at full par value thereof in full or part payment of their respective notes together with interest thereon.



NOW, THEREFORE, be it resolved that, subject to the approval of the Commissioner of Corporations of the State of California, this corporation issue to any and/or all of the aforesaid persons in liquidation and payment of all or part of the indebtedness as aforesaid, together with interest thereon accrued to the time of the issuance, fully paid stock in this corporation at its par value for the amount of the indebtedness so liquidated and paid, and that this corporation take and receive from the persons aforesaid a cancellation and satisfaction of said notes to the extent that stock may be so issued to the respective holders thereof.

AND BE IT FURTHER RESOLVED, That the President and Secretary of this Corporation be and they are hereby, authorized and empowered to make application to the Commissioner of Corporations of the State of California, for a permit to sell and/or issue to and/or among the foregoing persons only, and one other, forty thousand shares of the capital stock of this corporation, at par, either

(a) For cash, lawful money of the U. S., and/or

(b) Such amount thereof as may be necessary to pay, liquidate and discharge not to exceed the amount of the indebtedness to said persons, hereinbefore referred to, for principal and/or interest accrued on said notes to the time when said stock may be issued.

On December 20, 1929, the company filed such application, which was granted on December 26, 1929. The permit contained the following provision:

1. To issue to any or all of the persons named in its application filed on the 20th day of December, 1929, an aggregate of not to exceed 35,156 shares of its [44] capital stock as consideration for the cancellation of the indebtedness of applicant to them, described in said application; \$100.00 of such indebtedness to be canceled upon the issuance of each of said shares.

By its terms the permit expired December 26, 1931.

A table showing the stockholdings of the taxpayers and consideration therefor was incorporated in the stipulation.

On January 2, 1930, the petitioners surrendered their notes in exchange for the stock certificates issued by the company that day and the notes thereupon were canceled. The certificates were actually delivered in May 1930. The canceled notes each bear on the face a receipt signed by the respective former holder as follows: "January 2, 1930. The receipt of capital stock of Chandis Securities Company in full settlement of principal and accrued interest to December 31, 1929 is hereby acknowledged."

From 1924 to 1929 the company accrued interest on the above described notes at 5 percent per annum and deducted such interest on its income tax returns. The company kept its books and made its income tax returns on the accrual basis, while each

petitioner kept his books and filed his returns on the cash receipts and disbursements basis. The individuals did not report any interest received in connection with the above notes.

The notes in question were in the custody of Horace Downing, secretary of the company, throughout the year 1929. The balance sheet of the company on December 31, 1929, lists the notes of the petitioners among its liabilities. The books of the company contain appropriate entries to show that the transactions were consummated in 1930. It was stipulated that the value of the stock of the company was \$60 per share at any time material to these proceedings.

If it be decided that the transaction of exchange was consummated in 1930, such determination disposes of the cases. There would be no need to consider the second issue. On the facts found above we are of the opinion that petitioners' contention that the exchange was made in 1930 is well taken.

The record discloses that on December 18, 1929, the petitioners, as owners of the above described notes issued on December 31, 1923, expressed their willingness to exchange them for stock in the company in proportion to the respective amounts of such notes and unpaid interest thereon. The company thereupon proceeded to apply for permission to issue the additional capital stock required to accomplish the exchange. Such a permit was a prerequisite to the contemplated exchange and an issuance without such permit would have been void. See section 12 of the Corporate Securities Act, Cali-



fornia. On December 26, 1929, the commissioner of corporations issued his permit authorizing the company to issue to the taxpayers: [45]

An aggregate of not to exceed 35,156 shares of its capital stock as consideration for the cancellation of the indebtedness of applicant to them, described in said application; \$100.00 of such indebtedness to be cancelled upon the issuance of each of said shares.

The permit thus required that the exchange should involve simultaneous cancellation of the notes and issue of stock—that the cancellation and issuance were to coincide in time. The company had no right to issue and hence, the petitioners had no right to acquire, the new stock until the notes were surrendered and canceled. The acts were mutually dependent and the transaction which is asserted to be the source of income could not have been completed without both acts.

The record discloses that the petitioners' notes were surrendered and canceled on January 2, 1930, and the stock certificates were issued on that day or later in that month, but as of January 2, 1930. They were delivered in May, 1930. In this situation we are of the opinion that the exchange took place in 1930 and that, therefore, the taxpayers could not have received any income from the exchange of their notes for stock before January 2, 1930. In support of this conclusion it appears that the company's books reflect the continued ownership of the notes by the petitioners through December 31, 1929, and the consummation of the exchange in 1930.



The conclusion reached above disposes of the cases and requires a finding for the petitioners. We need not inquire whether taxpayers received income in 1930 as a result of the exchange.

Reviewed by the Board.

Decisions will be entered under Rule 50. [46]

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United States Board of Tax Appeals.

Docket No. 67468.

MRS. MARIAN OTIS CHANDLER,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

### DECISION

Pursuant to the opinion promulgated June 7, 1935, the petitioner and the respondent filed notices of settlement with the Board on July 6, 1935, and July 13, 1935, respectively. The case was called for settlement on July 17, 1935, at which time there was no appearance on behalf of the petitioner. It is therefore

ORDERED and DECIDED that there is a deficiency in tax for the year 1929 in the amount of \$4,446.34.

[Seal]

(Signed) EUGENE BLACK

Member.

Entered Jul 26 1935. [47]

In the United States Circuit Court of Appeals for  
the Ninth Circuit.

Docket No. 67468

GUY T. HELVERING, Commissioner of Internal  
Revenue,

Petitioner

v.

MARIAN OTIS CHANDLER,

Respondent.

PETITION FOR REVIEW AND  
ASSIGNMENTS OF ERROR

To the Honorable Judges of the United States Cir-  
cuit Court of Appeals for the Ninth Circuit:

Now comes Guy T. Helvering, Commissioner of  
Internal Revenue, by his attorney, Frank J. Wide-  
man, Assistant Attorney General, Robert H. Jack-  
son, Assistant General Counsel for the Bureau of  
Internal Revenue, and Mason B. Leming, Special  
Attorney, Bureau of Internal Revenue, and respect-  
fully shows:

I.

The petitioner on review (hereinafter referred  
to as the Commissioner) is the duly authorized,  
qualified and acting Commissioner of Internal  
Revenue of the United States, holding his office by  
virtue of the laws of the United States. The re-  
spondent on review (hereinafter referred to as the  
taxpayer) is a resident of the State of California

and filed her income tax return for the calendar year 1929 with the Collector of Internal Revenue for the Sixth District of California whose office is located in the City of Los Angeles, state of California. The office of the said Collector of Internal Revenue is located within the judicial district of the United States Circuit Court of Appeals for the Ninth Circuit. [48]

## II.

The Commissioner determined a deficiency in the income tax of the taxpayer for the calendar year 1929 in the amount of \$163,175.03, and in accordance with the provisions of Sec. 272 of the Revenue Act of 1928, on July 1, 1932, sent to the taxpayer by registered mail a notice of said deficiency. Thereafter, on August 20, 1932, the taxpayer filed an appeal from the said notice of deficiency with the United States Board of Tax Appeals. The hearing by the United States Board of Tax Appeals was held on October 5, 1933, at Long Beach, California.

On June 7, 1935, the Board of Tax Appeals promulgated its opinion in said appeal, 32 B.T.A. #105, and on July 26, 1935, the Board entered its decision and final order of determination wherein and whereby the Board ordered and decided that there is a deficiency in income tax due from the taxpayer for the year 1929 in the amount of \$4,446.34.

## III.

The controversy before the Board of Tax Appeals arose from the Commissioner's determination that the taxpayer in the year 1929 received interest

includable in her taxable income for that year in the amount of \$661,369.56 upon the receipt by her of shares of the capital stock of Chandis Securities Company at par value in full payment and satisfaction of said interest. At the hearing before the Board of Tax Appeals it was stipulated that the fair market value of the stock of the Chandis Securities Company was \$60 per share.

The Chandis Securities Company was incorporated under the laws of California in 1916 by one Harry Chandler with a capital stock of 500 shares for which he transferred to it certain real estate and personal [49] property. He transferred 200 of such shares of its capital stock to his wife, Marian Otis Chandler, the taxpayer herein, and 280 shares to his children. Later he transferred other properties to the company for its promissory notes which he assigned to his wife and children in approximately the same proportions as their respective holdings of stock in the company. The notes so assigned and interest accrued thereon to December 31, 1923, were in the following amounts:

	Note Principal	Accrued interest to Dec. 31, 1923
Marian Otis Chandler	\$810,687.06	\$294,950.76
Franceska Chandler Kirkpatrick	179,490.04	66,533.84
May Chandler Goodan	179,490.04	66,533.83
Helen Chandler	130,474.68	45,648.37
Philip Chandler	130,474.68	45,648.36
Ruth Chandler Williamson	130,474.69	45,648.36
Harrison Gray Chandler	130,474.68	45,648.36
Constance Chandler	130,474.70	45,648.37
Norman Chandler	116,508.03	45,789.36
Total	\$1,938,548.60	\$702,049.61



On December 31, 1923, Chandis Securities Company issued new notes for the foregoing notes and accrued interest, which notes and interest accrued to December 31, 1929, were as follows:

	Note Principal	Accrued interest from December 31, 1923 to December 31, 1929
Marian Otis Chandler	\$1,105,637.82	\$366,418.80
Franceska Chandler Kirkpatrick	246,023.88	81,991.18
May Chandler Goodan	246,023.87	81,991.18
Helen Chandler	176,123.05	58,218.25
Philip Chandler	176,123.04	58,218.26
Ruth Chandler Williamson	176,123.05	58,218.26
Harrison Gray Chandler	176,123.04	58,218.26
Constance Chandler	176,123.07	58,218.26
Norman Chandler	162,297.39	53,516.22
Total	\$2,640,598.21	\$875,008.67

[50]

The above-named holders of the notes of Chandis Securities Company other than the taxpayer herein are hereinafter referred to as the other noteholders.

On October 14, 1929, the capital stock of the Chandis Securities Company was increased from 500 shares of the par value of \$1,000 per share to 50,000 shares of the par value of \$100 per share.

The Chandis Securities Company being indebted to the taxpayer and the other noteholders in the amounts herein above set forth, the taxpayer and the other noteholders on December 18, 1929, entered into an agreement with the said Chandis Securities Company to accept stock in the corporation at the full par value thereof in payment of the aforesaid accrued interest. On December 18,

1929, the Board of Directors of the Chandis Securities Company passed a resolution providing that subject to the approval of the Commissioner of Corporations of the State of California the said Chandis Securities Company issue to the taxpayer and the other noteholders in liquidation and payment of the indebtedness as aforesaid, together with interest thereon accrued to the time of issuance, fully paid stock in the corporation at par value for the amount of the indebtedness so liquidated and paid, and that the corporation take and receive from the taxpayer and the other noteholders cancellation and satisfaction of their notes to the extent that stock was issued in payment thereof. The Board of Directors at said meeting further authorized and empowered the president and secretary of the corporation to make application to the Commissioner of Corporations of the State of California for a permit to sell and/or issue to and/or among the taxpayer and the other noteholders and one other 40,000 shares of capital stock of the corporation either for cash or in such amount as might be [51] necessary to pay, liquidate and discharge the corporation's indebtedness to the taxpayer and the other noteholders together with interest accrued on the notes to the time when the stock might be issued.

On December 20, 1929, pursuant to the aforesaid resolution of the Board of Directors the Chandis Securities Company filed with the Commissioner of Corporations of the State of California, such application for a permit to issue the stock and on De-

cember 26, 1929, in accordance with such application the Commissioner of Corporations issued a permit which by its terms was limited to expire on December 26, 1931.

On December 26, 1929, all of the aforesaid notes of the Chandis Securities Company owned by the taxpayer and the other noteholders were in the possession of one Horace E. Downing who was the secretary of the Chandis Securities Corporation, such notes having been at some time previous to December 26, 1929, deposited with him by the taxpayer and the other noteholders. Each of the aforesaid notes formerly held by the taxpayer and the other noteholders bear on the face thereof a receipt signed by the holder of such note as follows: "January 2, 1930. The receipt of capital stock of Chandis Securities Company in full settlement of the principal and accrued interest to December 31, 1929, is hereby acknowledged." No stock certificates were physically delivered to the taxpayer or the other noteholders until May, 1930.

The Chandis Securities Company accrued interest on its books on the above described notes at 5% per annum from 1924 to 1929, inclusive, and deducted it on its several income tax returns for those years. The company kept its books and made its income tax returns on the accrual basis. The taxpayer and the other noteholders kept their books and filed their returns [52] on the cash receipts and disbursements basis. The taxpayer and the other noteholders did not report the receipt of any interest in any year on the above notes.



The Commissioner included in the taxpayer's gross income in the year 1929 the amount of \$661,369.56 representing accrued unpaid interest on the various notes of the Chandis Securities Company held by the taxpayer from the date of the issuance of the original notes to and including the year 1929 as above set forth.

The Board of Tax Appeals held that the taxpayer did not surrender the aforesaid notes of the Chandis Securities Company until January 2, 1930, and that she did not acquire stock in the Chandis Securities Company in satisfaction of the principal and accrued interest on the indebtedness of Chandis Securities Company to her until sometime in 1930 and that accordingly no part of the interest in question was includable in her taxable income for the year 1929. In consequence of that ruling the Board found that the deficiency for the year 1929 is only in the amount of \$4,446.34 instead of \$163,175.03 as determined by the Commissioner.

#### IV.

The Commissioner says that in the record and proceedings before the Board of Tax Appeals and in the decision and final order of redetermination rendered and entered by the Board of Tax Appeals, manifest errors occurred and intervened to the prejudice of the Commissioner, and the Commissioner assigned the following errors and each of them, which he avers occurred in the record, proceedings, decision and final order of redetermination and upon which he relies to reverse the said



decision and final order of redetermination so rendered and entered by the Board of Tax Appeals, to wit: [53]

1. The Board erred in finding and deciding that the wording of the permit issued by the California Commissioner of Corporations is decisive of the question of whether or not the taxpayer received in the year 1929 payment of interest due her by Chandis Securities Company.

2. The Board erred in failing and refusing to find and decide that the taxpayer became the owner of the new stock of the Chandis Securities Company upon the date of the issuance of the permit by the Commissioner of Corporations of California.

3. The Board erred in failing and refusing to find and decide that the indebtedness of the Chandis Securities Company to taxpayer for interest was cancelled on the date of the issuance of the permit by the Commissioner of Corporations of California.

4. The Board erred in failing and refusing to find and decide that the taxpayer surrendered her notes to the Chandis Securities Company in the calendar year 1929.

5. The Board erred in failing and refusing to find and decide that the indebtedness of the Chandis Securities Company to taxpayer for interest was cancelled upon the date of the issuance of the permit by the California Commissioner of Corporations.

6. The Board erred in failing and refusing to find and decide that the taxpayer received in the

year 1929 the interest due her from the Chandis Securities Company.

7. The Board erred in failing and refusing to find and decide that the Chandis Securities Company paid in 1929 to taxpayer the interest due her.

8. The Board erred in failing and refusing to find and decide that the taxpayer received in the year 1929 from the Chandis Securities Company interest [54] in the amount of \$396,821.74.

9. The Board erred in finding and deciding that the taxpayer surrendered her notes in exchange for stock certificates issued by Chandis Securities Company January 2, 1930, and that the notes were thereupon cancelled.

10. The Board erred in finding and deciding the exchange of taxpayer's notes for stock of the Chandis Securities Company was made in 1930.

11. The Board erred in failing and refusing to find and decide the transaction was consummated in the year 1929.

12. The Board erred in finding and deciding the permit issued by the Commissioner of Corporations of California required that the exchange should involve simultaneous cancellation of the notes and issue of the stock.

13. The Board erred in failing and refusing to find and decide that upon the date of issuance of the permit by the Commissioner of Corporations of California ownership of the new shares of Chandis Securities Company vested in the taxpayer and the indebtedness of the Chandis Securities

Company to taxpayer was simultaneously liquidated and paid in full.

14. The Board erred in finding and deciding that the cancellation of the notes and the issuance of the stock were to coincide.

15. The Board erred in failing and refusing to find and decide that the cancellation of the indebtedness of Chandis Securities Company for interest due and owing to taxpayer and the vesting of ownership of the new shares of stock of the company in taxpayer in liquidation and payment of said interest coincided in the year 1929. [55]

16. The Board erred in holding and deciding that the Chandis Securities Company had no right to issue its stock and that the taxpayer had no right to acquire the new stock until the notes were surrendered and cancelled.

17. The Board erred in failing and refusing to find and decide the Chandis Securities Company had a right to issue its stock and the taxpayer had a right to acquire the new stock on the date of the issuance of the permit by the Commissioner of Corporations of California.

18. The Board erred in finding and deciding that the issuance of the stock and the surrender and cancellation of the notes were mutually dependent and that the transaction could not have been completed without both acts.

19. The Board erred in failing and refusing to find and decide that the issuance of the stock and the surrender and cancellation of the notes both occurred in and were completed in the year 1929.



20. The Board erred in finding and deciding that the taxpayer's notes were surrendered and cancelled on January 2, 1930.

21. The Board erred in failing and refusing to find and decide that the taxpayer's notes were surrendered and cancelled in the year 1929.

22. The Board erred in finding and deciding that the stock certificates of the Chandis Securities Company were issued on January 2, 1930, or later in the month.

23. The Board erred in failing and refusing to find and decide that the taxpayer became the owner of the new shares of stock of the Chandis Securities Company on December 26, 1929, when the Commissioner of Corporations issued the permit authorizing the issuance of said stock.

24. The Board erred in failing and refusing to find and decide that [56] the indebtedness of the Chandis Securities Company to taxpayer for interest was cancelled, liquidated and paid in full on December 26, 1929, when the permit was issued by the Commissioner of Corporations of California.

25. The Board erred in finding and deciding that the taxpayer could not have received any income from the exchange of her notes for stock of the Chandis Securities Company before January 2, 1930.

26. The Board erred in failing and refusing to find and decide that the taxpayer received income on December 26, 1929, when she became the owner of the new shares of stock of Chandis Securities Company in liquidation and payment of the indebt-



edness due her by Chandis Securities Company for interest.

27. The Board erred in finding and deciding that the books of the Chandis Securities Company contain appropriate entries to show the transactions were consummated in 1930.

28. The Board erred in finding and deciding that the books of the Chandis Securities Company reflect the continued ownership of the notes by the taxpayer through December 31, 1929, and the consummation of the exchange in 1930.

29. The Board erred in failing and refusing to find and decide that the entries on the books of the Chandis Securities Company are not determinative of the date of cancellation of the indebtedness of Chandis Securities Company to taxpayer and ownership in the new shares of stock of the Chandis Securities Company.

30. The Board erred in holding and deciding that the issuance of stock certificates was necessary to the consummation of the liquidation of the indebtedness and ownership of the shares of stock.

[57]

31. The Board erred in failing and refusing to find and decide that the issuance of stock certificates by the Chandis Securities Company was not necessary to vest ownership of such shares in the taxpayer.

32. The Board erred in failing and refusing to find and decide that the taxpayer received taxable income in the year 1929 measured by the fair

market value (\$60 per share) of the shares of stock of Chandis Securities Company, issued to her in liquidation of the indebtedness of the Chandis Securities Company to her for interest in the face amount of \$661,369.56.

33. The Board erred in determining that the deficiency due from the taxpayer for the year 1929 is only in the amount of \$4,446.34.

34. The Board erred in not determining the deficiency in tax due from the taxpayer for the year 1929 to be in the amount of \$99,683.56.

35. The Board erred in that its findings of fact are not supported by the evidence.

36. The Board erred in that its decision is not supported by the evidence.

WHEREFORE, the Commissioner petitions that the decision of the Board of Tax Appeals be reviewed by the United States Circuit Court of Appeals for the Ninth Circuit, that a transcript of the record be prepared in accordance with law and with the rules of said Court and transmitted to the clerk of said Court for filing, and that appropriate action be taken to the end that the errors complained of may be reviewed and corrected by said Court.

(Sgd) FRANK J. WIDEMAN

Assistant Attorney General.

(Sgd) ROBERT H. JACKSON,

Assistant General Counsel for  
the Bureau of Internal Revenue.

Of Counsel:

MASON B. LEMING,

Special Attorney,

Bureau of Internal Revenue.

[Endorsed]: Filed Oct 19, 1935. [58]

[Title of Court and Cause.]

NOTICE OF FILING PETITION FOR  
REVIEW.

To: MRS. MARIAN OTIS CHANDLER, Times  
Bldg., Los Angeles, Calif., and A. CALDER  
MACKAY, Esq., 1104 Pacific Mutual Bldg.,  
Los Angeles, Calif.

You are hereby notified that the Commissioner of  
Internal Revenue did, on the 19th day of October,  
1935, file with the Clerk of the United States Board  
of Tax Appeals, at Washington, D. C., a petition  
for review by the United States Circuit Court of  
Appeals for the Ninth Circuit, of the decision of  
the Board heretofore rendered in the above en-  
titled case. A copy of the petition for review and  
the assignments of error as filed is hereto attached  
and served upon you.

Dated this 19th day of October, 1935.

(Sgd) ROBERT H. JACKSON  
Assistant General Counsel  
for the  
Bureau of Internal Revenue.

Personal service of the above and foregoing  
notice, together with a copy of the petition for re-  
view and assignments of error mentioned therein is  
hereby acknowledged this 22 day of October, 1935.

(Sgd) MARIAN OTIS CHANDLER  
Respondent on Review

(Sgd) A. CALDER MACKAY  
Attorney for Respondent on Review.

[Endorsed]: Filed Nov 2, 1935. [59]



United States Board of Tax Appeals.

[Title of Cause—Docket Nos. 67468, 67469, 67470, 67471, 67472, [60] 67473, 67474, 67475, 67476.]

STIPULATION.

1. It is hereby stipulated and agreed by and between the parties hereto by their respective counsel that the above entitled appeals may be consolidated for hearing and decision. [61]

2. It is further stipulated and agreed by and between the above-named parties through their respective counsel, that the following facts may be taken as true, subject to the right, however, of either party to produce at the time of hearing further and additional evidence not in conflict therewith.

3. That Petitioners are residents of the City of Los Angeles, California and as such filed their income tax returns for the year 1929 with the Collector of Internal Revenue for the Sixth Collection District, State of California.

4. That the books of account of each Petitioner have at all times been kept upon the cash receipts and disbursements basis, and the income tax return of each of the Petitioners was prepared and filed on said basis.

5. That the Chandis Securities Co. was incorporated during the year 1916 with an authorized capital stock of \$500,000.00 divided into 500 shares of a par value of \$1000 per share.



6. That at the time of its organization or shortly thereafter the Chandis Securities Co., in exchange for properties acquired by it, issued its promissory notes aggregating in principal the total sum of \$1,938,548.60. That, until the said notes were cancelled as hereinafter set forth, each of the Petitioners held and owned notes aggregating in principal the amount set opposite their respective names as follows:

	Note principal
Marian Otis Chandler	\$810,687.06
Franceska Chandler Kirkpatrick	179,490.04
May Chandler Goodan	179,490.04
Helen Chandler	130,474.68
Philip Chandler	130,474.68
Ruth Chandler Williamson	130,474.69
Harrison Gray Chandler	130,474.68
Constance Chandler	130,474.70
Norman Chandler	116,508.03
	<hr/>
Total	\$1,938,548.60
	<hr/> <hr/>
	[62]

7. That the interest that accrued on said notes to and including December 31, 1923 amounted to the sums set opposite the names of Petitioners as follows:

	Accrued interest to Dec. 31, 1923
Marian Otis Chandler	\$294,950.76
Franceska Chandler Kirkpatrick	66,533.84
May Chandler Goodan	66,533.83
Helen Chandler	45,648.37
Philip Chandler	45,648.36
Ruth Chandler Williamson	45,648.36
Harrison Gray Chandler	45,648.36
Constance Chandler	45,648.37
Norman Chandler	45,789.36
	<hr/>
Total	<u><u>\$702,049.61</u></u>

8. That on December 31, 1923 the Chandis Securities Co. issued new notes for the foregoing notes and accrued interest to the Petitioners as follows:

Marian Otis Chandler	\$1,105,637.82
Franceska Chandler Kirkpatrick	246,023.88
May Chandler Goodan	246,023.87
Helen Chandler	176,123.05
Philip Chandler	176,123.04
Ruth Chandler Williamson	176,123.05
Harrison Gray Chandler	176,123.04
Constance Chandler	176,123.07
Norman Chandler	162,297.39
	<hr/>
Total	<u><u>\$2,640,598.21</u></u>

9. That the amount of interest that accrued to Petitioners on their notes of the Chandis Securities

Co. from January 1, 1924 to and including December 31, 1929, was as follows:

	<u>Accrued interest to Dec. 31, 1929</u>
Marian Otis Chandler	\$366,418.80
Franceska Chandler Kirkpatrick	81,991.18
	[63]
May Chandler Goodan	81,991.18
Helen Chandler	58,218.25
Philip Chandler	58,218.26
Ruth Chandler Williamson	58,218.26
Harrison Chandler	58,218.26
Norman Chandler	53,516.22
Constance Chandler	58,218.26
	<hr/>
Total	\$875,008.67
	<hr/> <hr/>

10. That attached hereto and marked Exhibit "A" is a true copy of the minutes of meeting of the Board of Directors of Chandis Securities Co. held at 10:00 A. M. on Monday, the 14th day of October, 1929. Pursuant to the resolution contained in said minutes the Chandis Securities Co. on October 14, 1929 filed its certificate with the duly constituted authorities of the State of California increasing its capitalization in the manner authorized in said resolution.

11. That attached hereto and marked Exhibit "B" is a true copy of the minutes of meeting of the Board of Directors of Chandis Securities Co. held

at the hour of 10:00 A. M. on the 18th day of December 1929; that on December 20, 1929 Chandis Securities Co. filed an application with the Corporation Commissioner of the State of California, copy of which is attached hereto and marked Exhibit "C"; that attached hereto and marked Exhibit "D" is a copy of a permit issued by the Corporation Commissioner of the State of California pursuant to the said application of Chandis Securities Co., which permit is dated December 26, 1929; that attached hereto and marked Exhibit "E" is a copy of an application of the Chandis Securities Company to the Corporation Commissioner of the State of California; that pursuant to said application the Corporation Commissioner issued its permit dated May 7, 1930, copy of which [64] is attached hereto and marked Exhibit "F".

12. The following is a table showing the share holdings of the new stock and consideration therefor:



Name	Notes and interest to Dec. 31, 1929	Shares in exchange for notes and interest	Cash for frac- tional share	Total	Issue of stock for stock	Total shares out- standing
Marian Otis Chandler	\$1,472,056.62	14,720	\$43.38	14,721	2,000	16,721
Franceska Chandler Kirkpatrick	328,015.06	3,280	84.94	3,281	350	3,631
Mary Chandler Goodan	328,015.05	3,280	84.95	3,281	350	3,631
Helen Chandler	234,341.30	2,343	58.70	2,344	350	2,694
Philip Chandler	234,341.30	2,343	58.70	2,344	350	2,694
Ruth Chandler Williamson	234,341.31	2,343	58.69	2,344	350	2,694
Harrison Gray Chandler	234,341.30	2,343	58.70	2,344	350	2,694
Constance Chandler	234,341.33	2,343	58.67	2,344	350	2,694
Norman Chandler	215,813.61	2,158	86.39	2,159	350	2,509
Harry Chandler					200	200
				35,162		
	\$3,515,606.88	35,153	593.12	<del>33,288</del>	5,000	40,162

GEORGE M. THOMPSON,

JOHN T. RILEY,

Counsel for Petitioners.

E. BARRETT PRETTYMAN,

M.B.L.

A. CALDER MACKAY,

Attorney for Petitioners.

Attorney for Respondent. [65]

EXHIBIT "A"

REGULAR MEETING OF BOARD OF DIRECTORS OF THE CHANDIS SECURITIES COMPANY.

A regular meeting of the Board of Directors of the Chandis Securities Company was held at the principal office of said corporation, The Times Building, Broadway at First Street, Los Angeles, California, at the hour of 10 o'clock, A. M., on Monday the 14th day of October, 1929, pursuant to provisions of the By-laws of said corporation.

DIRECTORS PRESENT: Harry Chandler, Marian Otis Chandler, Franceska Chandler Kirkpatrick.

DIRECTORS ABSENT: None.

President Harry Chandler and Secretary Marian Otis Chandler served in their respective capacities throughout the meeting.

On motion duly made, considered and put to vote, each and all of the Directors voting in the affirmative, the following resolution was duly adopted.

RESOLVED that Paragraph "Sixth" of the Articles of Incorporation of CHANDIS SECURITIES COMPANY be amended by striking out in its entirety said Paragraph "Sixth" thereof and inserting in lieu thereof a Paragraph "Sixth" to read in words as follows, to-wit:

“SIXTH. That the number of shares of this corporation which may be issued is fifty thousand (50,000) of the par value of One Hundred Dollars (\$100.00) each and of the aggregate par value of Five Million Dollars (\$5,000,000.00).”

On Motion duly made, considered and put to vote, each and all of the Directors voting in the affirmative, the following resolution was duly adopted.

RESOLVED that Article XI of the By-Laws of this corporation be amended by adding to the end thereof the following words, to-wit:

“No fractional shares of stock shall at any time be issued.”

There being no further business before the meeting, on motion duly made and seconded, it was adjourned.

MARIAN OTIS CHANDLER,  
Secretary.

HARRY CHANDLER,  
President. [66]

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EXHIBIT “B”.

REGULAR MEETING OF BOARD OF DIRECTORS OF THE CHANDIS SECURITIES.

A regular meeting of the Board of Directors of the Chandis Securities Company was held at the principal office of said corporation, The Times

Building, Broadway at First Street, Los Angeles, California, at the hour of 10 o'clock A. M., on Wednesday, the 18th day of December, 1929, pursuant to the provisions of the By-Laws of said corporation.

**DIRECTORS PRESENT:** Harry Chandler, Marian Otis Chandler, Franceska Chandler Kirkpatrick.

**DIRECTORS ABSENT:** None.

President Harry Chandler and Secretary Marian Otis Chandler served in their respective capacities throughout the meeting.

On motion duly made, considered and put to vote, each and all of the Directors voting in the affirmative, the following resolution was duly adopted:

WHEREAS, Chandis Securities Company is indebted to the following named persons, to-wit:

Marian Otis Chandler

Franceska C. Kirkpatrick

May C. Goodan

Helen Chandler

Philip Chandler

Ruth C. Williamson

Harrison G. Chandler

Constance Chandler

Norman Chandler

in the aggregate principal sum of \$2,640,598.21 all of which is evidenced by several promissory notes of this company held by said persons, dated December 31st, 1923, due on or before the 31st day of December, 1928, which notes bear interest at the



rate of 5% per annum, compounded annually, on which no part of said principal or accrued interest has been paid, and

WHEREAS, the aforesaid persons have expressed their willingness and have offered to accept stock in this corporation at full par value thereof in full or part payment of their respective notes together with interest thereon,

NOW, THEREFORE, be it resolved that, subject to the approval of the Commissioner of Corporations of the State of California, this corporation issue to any and/or all of the aforesaid persons in liquidation [67] and payment of all or part of the indebtedness as aforesaid, together with interest thereon accrued to the time of the issuance, fully paid stock in this corporation at its par value for the amount of the indebtedness so liquidated and paid, and that this corporation take and receive from the persons aforesaid a cancellation and satisfaction of said notes to the extent that stock may be so issued to the respective holders thereof,

AND BE IT FURTHER RESOLVED, That the President and Secretary of this corporation be and they are hereby, authorized and empowered to make application to the Commissioner of Corporations of the State of California, for a permit to sell and/or issue to and/or among the foregoing persons only, and none other, forty thousand shares of the capital stock of this corporation, at par, either,

(a) For cash, lawful money of the U. S., and/or

(b) Such amount thereof as may be necessary to pay, liquidate and discharge not to exceed the amount of the indebtedness to said persons, hereinbefore referred to, for principal and/or interest accrued on said notes to the time when said stock may be issued.

There being no further business before the meeting, on motion duly made and seconded, it was adjourned.

MARIAN OTIS CHANDLER,

Secretary.

HARRY CHANDLER,

President. [68]

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EXHIBIT "C".

Corporation Department of the State of California.

In the Matter of the application of

CHANDIS SECURITIES COMPANY

for a certificate authorizing it to sell its securities.

TO THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA:

The application of CHANDIS SECURITIES COMPANY respectfully shows:

That applicant is a corporation duly organized and existing under and by virtue of, the laws of the State of California; That on the 2nd day of October, 1916, original Articles of Incorporation were duly and regularly filed in the office of the County Clerk of the County of Los Angeles; That

on the 6th day of November, 1916, a copy of said Articles of Incorporation were duly and regularly filed in the office of the Secretary of State of the State of California, and on said date, said Secretary of State executed, under the Great Seal of the State of California, a Certificate of Incorporation of said applicant; That a copy of the original Articles of Incorporation are hereunto annexed, marked Exhibit "A" and made a part hereof;

That on the 10th day of November, 1916, a Code of By-Laws was duly and regularly adopted by the stockholders of said corporation and thereafter said By-Laws were amended; That a copy of said Code of By-Laws, as duly and regularly amended, of said applicant are hereunto annexed, marked Exhibit "B" and made a part hereof;

That on the 15th day of November, 1929, a Certificate of Amendment [69] of Articles of Incorporation of Chandis Securities Company was duly and regularly filed in the office of the Secretary of State and on said date said Secretary of State executed, under the Great Seal of the State of California, a certificate certifying that the Articles of Incorporation were filed and thereafter on the 27th day of November, 1929, a certified copy of said Certificate of Amendment was filed in the office of the County Clerk of the County of Los Angeles; That by said Certificate of Amendment, the capital stock of said corporation was increased from a sum aggregating \$500,000.00 to \$5,000,000.00; and that the number of shares of said corporation



was changed and increased to fifty thousand of the par value of \$100.00 each; That a copy of said Certificate of Amendment is hereunto annexed, marked Exhibit "C" and made a part hereof;

That the names and addresses of the officers of said applicant are as follows:

Harry Chandler, President and Treasurer, residing at Los Angeles, California;

Marian Otis Chandler, Vice-President and Secretary, residing at Los Angeles, California;

H. E. Downing, Assistant-Secretary, residing at Los Angeles, California.

That the office of said corporation is located in the Times Building, First and Broadway, Los Angeles, California;

That a true and correct copy of applicant's financial statement as of October 31, 1929, is hereunto annexed, marked Exhibit "D", and made a part hereof;

That on the 18th day of December, 1929, at a regular meeting of the Board of Directors, of said applicant corporation, the President and Secretary were authorized and instructed to offer for sale, sell, and/or issue, subject to permit of the Commissioner of Corporations of the State of California, [70] to and/or among the following named persons, only, and none other, stock of said corporation of the aggregate par value of \$4,000,000.00;

Marian Otis Chandler

Franceska C. Kirkpatrick

May C. Goodan



Helen Chandler  
Philip Chandler  
Ruth C. Williamson  
Harrison G. Chandler  
Constance Chandler  
Norman Chandler

Said stock to be issued,

(a) Either for cash so as to net said corporation the full par value thereof, or

(b) Such portion thereof as shall be necessary to pay, liquidate and discharge not to exceed the aggregate amount of the indebtedness of this corporation to said persons, which indebtedness is evidenced by promissory notes held by said persons as set forth in the schedule hereunto annexed marked Exhibit "E" and made a part hereof and which indebtedness is for principal and interest on said promissory notes.

That a copy of the minutes of the said meeting of the Board of Directors is hereunto annexed, marked Exhibit "F" and made a part hereof;

That it is not the purpose of said applicant to sell or issue any of the stock of this corporation to the general public or to any person or persons other than among the persons whose names are hereinbefore set forth; That all of the issued and outstanding stock of said corporation is now held by said persons and no part of it will now or hereafter be offered for sale or sold to the general public.

WHEREFORE, applicant prays that a certificate be issued authorizing it to offer for sale, sell, and/or issue to or among the persons whose names are hereinbefore set forth only and to no other person or persons, stock of [71] this corporation of the aggregate par value of \$4,000,000.00, said stock to be issued:

(a) Either for cash so as to net said corporation the full par value thereof, or,

(b) Such portion thereof as shall be necessary to pay, liquidate, and discharge not to exceed the aggregate amount of indebtedness of this corporation to said persons, which indebtedness is and shall be for unpaid principal and interest accrued according to the terms of said notes, at the time of the issuance of said stock.

CHANDIS SECURITIES  
COMPANY.

By.....,  
President.

By.....,  
Secretary.

State of California  
County of Los Angeles—ss.

Harry Chandler, being first duly sworn, deposes and says: That he is an officer, to wit: The President of the Chandis Securities Company, a corporation and as such gives this verification for and on behalf of said corporation; that he has read the foregoing application to the Commissioner of Corpora-

tions and knows the contents thereof and that the same is true of his own knowledge except as to those matters which are therein stated upon *inclination* or belief and as to those matters he believes it to be true.

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Subscribed and sworn to before me this 18th day of December, 1929.

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Notary Public in and for County of Los Angeles  
State of California. [72]

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### EXHIBIT "A"

#### ARTICLES OF INCORPORATION of CHANDIS SECURITIES COMPANY

Under the Laws of the State of California

KNOW ALL MEN BY THESE PRESENTS:  
That we, the undersigned, a majority of whom are citizens and residents of the State of California, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the State of California.

AND WE HEREBY CERTIFY,

FIRST: That the name of the Corporation shall be

CHANDIS SECURITIES COMPANY.

SECOND: That the purposes for which this Corporation is formed are to engage in, carry on and

conduct a general investment, trading and brokerage business; and to that end to do as follows:

(a) To acquire, deal in and with, manage, control, encumber and dispose of property, real and personal, and interests therein, of every kind and nature, and situated or located, either within or without the United States of America.

(b) To act as a broker in the purchase, sale, mortgage and hypothecation of real property and interests therein, going businesses, patents and patent rights, public securities, the bonds and obligations of corporations, and their stocks, the obligations of private individuals, and all other forms of personal property; without limitation as to the character or location of any property with respect to which it may act as broker.

(c) To create and issue this Corporation's own bonds, and other obligations, within the limits prescribed by law, secured or unsecured, and if secured, the security to be by mortgage or hypothecation of its property, either the whole or a portion thereof, real or personal or both.

(d) To acquire, own, manage, hypothecate, sell and otherwise dispose of the stocks and bonds of other corporations, and while holding the stocks thereof, to exercise the voting power and all other rights and powers appertaining thereto.

(e) To improve its lands by building, planting, cultivation or in any other lawful manner; and in case of mineral bearing lands to develop and [73] operate the same; all of which matters and things



the Corporation intends either to accomplish through its own action and supervision, or by the instrumentality of others with whom it may contract, in order to carry out the purposes aforesaid.

(f) To apply for, register, obtain by purchase, lease, or otherwise, and to hold, use, own, operate, promote, sell, assign, grant licenses in respect of, or otherwise to turn to account and dispose of trademarks, trade names, patents, inventions, processes and their improvements, and to secure and exercise all rights with respect thereto, allowed by the laws of the United States or other jurisdictions.

(g) To engage in manufacturing; to deal in such goods, wares and merchandise as it may deem profitable; to carry on and conduct ranching, farming, stock raising, and horticultural operations on its own, or other, lands.

(h) To lend money, to borrow money and to issue its obligations therefor; with or without security in either case. To acquire interests in the undertakings and enterprises of other, whether conducted by corporations or individuals, and to deal with and dispose of the same as this Corporation may consider to its best advantage; and, with respect to all possessions of the Corporation and all business done by it, to exercise all such powers as a natural person may lawfully exercise, from time to time and as occasion therefor may arise, and so to do wherever the same may be to its greatest advantage, subject to such limitations upon its powers of corporate action as may, at the time, be imposed by law.

(i) Without in any particular limiting any of the objects, or purposes or powers of the Corporation, the business or purposes of the company shall be from time to time to do any one or more or all of the acts and things herein set forth, and all such other acts, things and business or businesses in any manner connected therewith, or necessary, incidental, convenient or auxiliary thereto, or calculated directly or indirectly to promote the interests of the Corporation or enhance the value of or render profitable any of its property or rights, as such a corporation may lawfully do, and in carrying on its business, or for the purpose of attaining or furthering any of its objects, to do any and all acts and things, which now or hereafter may be authorized by law, and either as, or by and through principals, agents, attorneys, contractors, factors, lessors, lessees, or otherwise, either alone or in conjunction with others and in any part of the world; and in addition to have and to exercise all the rights, powers and privileges now or hereafter belonging to or conferred upon corporations organized under the provisions of the law authorizing the formation of such corporations.

THIRD: That the place where the principal business of said Corporation is to be transacted is Los Angeles, California.

FOURTH: That the term for which said Corporation is to exist is Fifty years, from and after the date of its Incorporation.

FIFTH: That the number of Directors of said Corporation shall be Three (3) and that the names

and residences of the Directors who are appointed for the [74] first year, and to serve until the election and qualification of such officers are as follows, to-wit:

NAMES WHOSE RESIDENCE IS AT

A. L. Dennis	Los Angeles, California
H. E. Downing	Los Angeles, California
E. N. Martin	Los Angeles, California

SIXTH: That the amount of the Capital Stock of said Corporation is Five Hundred Thousand Dollars, and the number of shares into which it is divided is Five Hundred of the par value of One Thousand Dollars each.

SEVENTH: That the amount of said Capital Stock which has been actually subscribed is Three Thousand Dollars, and the following are the names of the persons by whom the same has been subscribed, to-wit:

Name of Subscribers	Number of Shares	Amount
A. L. Dennis	1	\$1,000.00
H. E. Downing	1	\$1,000.00
E. N. Martin	1	\$1,000.00

IN WITNESS WHEREOF, we have hereunto set our hands and seals this 5th day of September, Nineteen Hundred and Sixteen.

A. L. DENNIS

Los Angeles, Cal.

H. E. DOWNING

Los Angeles, Cal.

E. N. MARTIN

Los Angeles, Cal. [75]

State of California

County of Los Angeles—ss.

On this 5th day of September, in the year Nineteen Hundred and Sixteen, before me, Frank X. Pfaffinger, a Notary Public in and for said County, residing therein, duly commissioned and Sworn, personally appeared A. L. Dennis, H. E. Downing, and E. N. Martin, known to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same.

WITNESS my hand and official seal.

[Seal] FRANK X. PFAFFINGER

Notary Public in and for said County of Los Angeles, State of California.

State of California

County of Los Angeles—ss.

I, H. J. Lelande, County Clerk of the County of Los Angeles, State of California, do hereby certify the within to be a full, true and correct copy of Articles of Incorporation of Chandis Securities Company, as remains on file in this office.

WITNESS my hand and official seal this 2 day of November 1916.

[Seal]

H. J. LELANDE

Clerk

C. C. CRIPPEN

Deputy Clerk [76]



## EXHIBIT "B".

BY-LAWS OF THE CHANDIS SECURITIES  
COMPANY.

THE NAME of the Corporation shall be the CHANDIS SECURITIES COMPANY.

ARTICLE I. Corporate Powers—The corporate powers of this Corporation shall be vested in a Board of three Directors, who shall be Stockholders, holding one or more shares of stock in their own names on the books of the corporation, and two shall constitute a quorum for the transaction of business.

ARTICLE II. Election of Directors—The Directors shall be elected by ballot, at the annual meeting of the Stockholders, to serve for one year, and until their successors are elected. Their term of office shall begin immediately after election.

ARTICLE III. Vacancies—Vacancies in the Board of Directors shall be filled by other Directors in office.

ARTICLE IV. Power of Directors—The Directors shall have power:

1st. To call special meetings of the Stockholders when they deem it necessary. And they shall call a meeting at any time, upon the written request of Stockholders holding one-third of all the capital stock.

2nd. To appoint and remove, at pleasure, all officers, agents and employees of the Corporation,

prescribe their duties, fix their compensation, and require from them security for faithful service.

3rd. To conduct, manage and control the affairs and business of the Corporation, and to make rules and regulations, not inconsistent with the laws of the State of California or the By-Laws of the Corporation for the guidance of the officers and management of the affairs of the Corporation.

4th. To incur indebtedness. The terms and amount of such indebtedness shall be entered on the minutes of the boards, and the note or obligation given for the same, signed officially by the President and Secretary, shall be binding on the corporation.

ARTICLE V. Duties of Directors—It shall be the duty of the Directors:

1st. To cause to be kept a complete record of all their minutes and acts, and of the proceedings of the Stockholders, and present a full statement at the regular annual meeting of the Stockholders, showing in detail the assets and liabilities of the Corporation, and generally the condition of its affairs. A similar statement shall be presented at any other meeting of the Stockholders, when thereto required by persons holding at least one-half of the capital stock of the Corporation.

2nd. To declare dividends out of the surplus profits, when such profits shall, in the opinion of the Directors, warrant the same. [77]

3rd. To supervise all officers, agents and employees, and see that their duties are properly per-

formed. To cause to be issued *to be issued* to the Stockholders, in proportion to their several interests, certificates of stock, not to exceed in the aggregate Five Hundred Thousand Dollars.

ARTICLE VI. Officers—The officers shall be a President, Vice-President, Secretary and Treasurer, which officers shall be elected and hold office at the pleasure of the Board of Directors. The compensation and tenure of office of all the officers of the corporation (other than Directors) shall be fixed and determined by the Board of Directors. One person may hold more than one office. The President, by virtue of his office, shall be General Manager of the Corporation. The Board of Directors may elect or appoint such other officers as it may deem necessary.

ARTICLE VII. President—The Board of Directors, shall, at their first regular meeting, elect one of their number to act as President; and if at any time the President shall be unable to act, the Vice-President shall take his place and perform his duties; and if the Vice-President, from any cause, shall be unable to act, they shall appoint some other member of the Board to do so, in whom shall be vested, for the time being, all the duties and functions of his office. The President, or in his absence the Director appointed as above provided:

1st. Shall preside over all meetings of the Stockholders and Directors, and shall have the casting vote.

2nd. He shall sign, as President, all certificates of stock, and all contracts and other instruments



of writing which have been first approved by the Board of Directors, and shall draw checks upon the Treasurer.

3rd. He shall call the Directors together whenever he deems it necessary, and shall have, subject to the advice of the Directors, direction of the affairs of the Corporation, and generally shall discharge such other duties as may be required of him by the By-Laws of the Corporation.

The President, or two of the Directors, may call special meetings of the Directors at any time, and notice shall be given of such called meetings by depositing a written notice thereof in the post-office at the principal place of business of the Company, postage prepaid, addressed to each Director at his last known address, at least twenty-four hours before the time set for meeting. Such service of notice shall be entered on the minutes of the corporation; and the said minutes, upon being read and approved at a subsequent meeting of the Board, shall be conclusive upon the question of service.

Regular meetings of the Board of Directors may be held on every Monday, Wednesday and Saturday of each calendar month, at 10 o'clock A. M., at the principal office of the Company, without further notice. The President shall have the power to sign the name of this company to checks, conveyances and all evidences of indebtedness, and to confer the authority hereby given to him on such other officers and agents of the corporation as he may see fit. [78]



ARTICLE VIII. Secretary—The Board of Directors shall elect a Secretary.

1st. It shall be the duty of the Secretary to keep a record of the proceedings of the Board of Directors and of the Stockholders.

2nd. He shall keep the corporate seal of the Corporation and the book of blank certificates of stock, fill up and countersign all certificates issued, and make the corresponding entries in the margin of such book on such issuance; and he shall affix said corporate seal to all papers requiring a seal.

3rd. He shall keep a proper Transfer Book, and a stock ledger in debit and credit form, showing the number of shares issued to and transferred by any stockholders, and the dates of such issuance and transfer.

4th. He shall keep proper Account Books, and discharge such other duties as pertain to his office and as are prescribed by the Board of Directors.

5th. The Secretary shall serve all notices required either by law or the By-Laws of the Corporation; and in case of his absence, inability, refusal or neglect so to do, then such notices may be served by any person thereunto directed by the President or Vice-President of the Corporation.

ARTICLE IX. Treasurer—The Treasurer shall receive and keep all the funds of the corporation, and pay them out on the check of the President. The Treasurer shall keep an account of his transactions and render a report of the same to the Board of Directors when requested to do so.

ARTICLE X. Books and Papers—The books

and such papers as may be placed on file by vote of the Stockholders or Directors, shall at all times in business hours, be subject to the inspection of the Board of Directors and of any Stockholder.

ARTICLE XI. Certificates of Stock—Certificates of stock shall be of such form and device as the Board of Directors may direct; and each certificate shall be signed by the President and countersigned by the Secretary, and express on its face its number, date of issuance, the number of shares for which, and the person to whom it is issued.

The Certificate Book shall contain a margin, on which shall be entered the number, date, number of shares and name of the person expressed in the corresponding certificate.

No fractional shares of stock shall at any time be issued.

ARTICLE XII. Transfer of Stock—Shares of the Corporation may be transferred at any time by the holders thereof, or by attorney legally constituted, or by their legal representatives by endorsement on the certificate of stock. But no transfer shall be valid until the surrender of the certificate and the acknowledgement of such transfer on the books of the Company. [79]

No surrender certificate shall be cancelled by the Secretary before a new one is issued in lieu thereof; and the Secretary shall preserve the certificate so cancelled, as a voucher. If, however, a certificate shall be lost or destroyed, the Board of Directors

may order a new certificate issued upon such guarantees by the parties claiming the same as they may deem satisfactory.

ARTICLE XIII. Stockholders' Meetings—The annual meeting of the stockholders shall be held at the office of the Company in Los Angeles, at 10 o'clock A. M., on the first Tuesday in October in each, for the purpose of electing Directors and transacting such other business as may properly come before the meeting. Two weeks' notice of the time and place of such meeting shall be given by advertisement in such newspaper published in Los Angeles County as the Directors may direct; or, by depositing a written notice thereof in the post-office at the principal place of business of the company, postage prepaid, addressed to each stockholder at his address as the same appears of record on the books of the Company, at least ten days prior to the date of meeting. Notice of special meetings of stockholders shall be given in the same manner.

No meeting of Stockholders shall be competent to transact business, unless a majority of stock is represented, except to adjourn from day to day, or until such time as may be deemed proper.

At such annual meeting of the Stockholders, Directors for the ensuing year shall be elected by ballot to serve for one year, and until their successors are elected. If, however, for want of a quorum, or other cause, a Stockholders' meeting shall not be held on the day above named, or should the Stock-



holders fail to complete their elections, or such other business as may be presented for their consideration, those present may adjourn from day to day, until the same shall be accomplished.

ARTICLE XIV. Voting—At all corporate meetings, each Stockholder, either in person or by proxy, shall be entitled to as many votes as he owns shares of stock. Such proxy shall be in writing, and filed with the Secretary.

ARTICLE XV. Amendments—The By-Laws may be altered or amended at any meeting of the stockholders, by the affirmative vote of a majority of the stock represented at such meeting, or by a unanimous vote of the whole number of the Board of Directors. No such alteration or amendment of the By-Laws shall become effective until the same has been copied in the Book of By-Laws with the original By-Laws and immediately after them, and a written notice of such alteration or amendment has been deposited in the post-office at the principal place of business of the Company, postage prepaid, addressed to each stockholder at his address as it appears of record on the books of the Company.

ARTICLE XVI. Seal—The Company shall have a Common Seal, consisting of the following wording: CHANDIS SECURITIES COMPANY INCORPORATED — NOVEMBER, 1916 — CALIFORNIA. [80]



## EXHIBIT "C".

## CERTIFICATE OF AMENDMENT OF ARTICLES OF INCORPORATION OF CHANDIS SECURITIES COMPANY.

We, HARRY CHANDLER, President, and MARIAN OTIS CHANDLER, Secretary, of CHANDIS SECURITIES COMPANY, a corporation, do hereby certify as follows:

That we respectively are such President and Secretary; That on Monday, the 14th day of October, 1929, at the hour of 10 o'clock A. M., at the principal office of said CHANDIS SECURITIES COMPANY, in The Times Building, Broadway at First Street, Los Angeles, California, a regular meeting of the Board of Directors of said CHANDIS SECURITIES COMPANY was held; That at said meeting a resolution, of which the following is a full, true and correct copy, to wit:

"RESOLVED that Paragraph 'Sixth' of the Articles of Incorporation of CHANDIS SECURITIES COMPANY be amended by striking out in its entirety said Paragraph 'Sixth' thereof and inserting in lieu thereof a Paragraph 'Sixth' to read in words as follows, to-wit:

"SIXTH: That the number of shares of this corporation which may be issued is fifty thousand of the par value of One hundred dollars (\$100.00) each and of the aggregate par value of Five million dollars, (\$5,000,000.00)."

was duly and regularly proposed, voted upon and adopted; That on said date the directors of said

CHANDIS SECURITIES COMPANY consisted of HARRY CHANDLER, MARIAN OTIS CHANDLER and FRANCESKA CHANDLER KIRKPATRICK, who were and are now all of the directors of said corporation and all of whom were present at said meeting and voted unanimously in favor of the adoption of said resolution; That after the adoption of said resolution by said directors, shareholders of said corporation to whom shares were then issued and outstanding and who owned and represented shares in the aggregate amount of five hundred, filed with the Secretary of said CHANDIS SECURITIES COMPANY their written assents, expressing their approval of said resolution and the amendment of said Articles of Incorporation in accordance therewith and pursuant thereto, which written assents of said shareholders contained a full, true and correct copy of the resolution of the Board of Directors, a copy of which is hereinbefore set forth; That the number of shares of said CHANDIS SECURITIES COMPANY issued and outstanding on said 14th day of October, 1929, was and now is Five hundred shares;

IN WITNESS WHEREOF, we have hereunto set our hands and affixed the corporate seal of CHANDIS SECURITIES COMPANY this 14th day of October, 1929.

HARRY CHANDLER,

President of

Chandis Securities Company.

MARIAN OTIS CHANDLER,

Secretary of

Chandis Securities Company.

State of California

County of Los Angeles—ss.

HARRY CHANDLER AND MARIAN OTIS CHANDLER, being first duly sworn, each for himself and herself and not for each other, deposes and says: That HARRY CHANDLER is the President and MARIAN OTIS CHANDLER is the Secretary of CHANDIS SECURITIES COMPANY, a corporation; Affiants have read the foregoing certificate and know the contents of the whole thereof; That all of the statements therein set forth are true of affiants' own knowledge.

HARRY CHANDLER

MARIAN OTIS CHANDLER

Subscribed and sworn to before me this 14th day of October, 1929.

[Seal]

ARTHUR CRUM

Notary Public in and for said County and State.

[81]

## EXHIBIT "D"

CHANDIS SECURITIES COMPANY  
BALANCE SHEET

October 31, 1929

## ASSETS

Cash		\$113,064.63
Accounts Receivable		47,285.11
Real Estate Loans		205,248.34
Unsecured Loans		1,428,037.23
Land		913,960.02
Buildings	\$133,437.66	
Furniture & Fixtures	21,229.13	
Automobiles	1,800.00	
	<hr/>	
	156,466.79	
Less Reserve for Depreciation	71,317.71	85,149.08
	<hr/>	
Stock in Domestic Corporations		3,309,922.93
Bonds		48,949.61
Miscellaneous Investments		153,610.06
		<hr/>
Total Assets		<u><u>\$6,305,227.01</u></u>



## LIABILITIES AND NET WORTH

Notes Payable	\$3,487,705.24
Accounts Payable	49,272.77
Deferred Credits	382,710.03
Trusts	93,735.18
Mortgages Payable	100,000.00
Trust Deeds Payable	36,666.67
Capital Stock	500,000.00
Profit 1-1-29 to 10-31-29	53,099.75
Surplus	1,602,037.37

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Total Liabilities and Net Worth \$6,305,227.01

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[82]

## EXHIBIT "F"

REGULAR MEETING OF BOARD OF  
DIRECTORS

of the

## CHANDIS SECURITIES COMPANY

A regular meeting of the Board of Directors of the Chandis Securities Company was held at the principal office of said corporation, The Times Building, Broadway at First Street, Los Angeles, California, at the hour of 10 o'clock, A. M., on Wednesday, the 18th day of December, 1929, pursuant to the provisions of the By-Laws of said corporation,

DIRECTORS PRESENT: Harry Chandler, Marian Otis Chandler, Franceska Chandler Kirkpatrick.

DIRECTORS ABSENT: None.

President Harry Chandler and Secretary Marian Otis Chandler served in their respective capacities throughout the meeting.

On motion duly made, considered and put to vote, each and all of the Directors voting in the affirmative, the following resolution was duly adopted:

WHEREAS, Chandis Securities Company is indebted to the following named persons, to-wit:

Marian Otis Chandler

Franceska C. Kirkpatrick

May C. Goodan

Helen Chandler

Philip Chandler

Ruth C. Williamson

Harrison G. Chandler

Constance Chandler

Norman Chandler

in the aggregate principal sum of \$2,640,598.21 all of which is evidenced by several promissory notes of this company held by said persons, dated December 31st, 1923, due on or before the 31st day of December, 1928, which notes bear interest at the rate of 5% per annum, compounded annually, on which no part of said principal or accrued interest has been paid, and

WHEREAS, the aforesaid persons have expressed their willingness and have offered to accept stock in this corporation at full par value

thereof in full or part payment of their respective notes together with interest thereon,

NOW, THEREFORE, be it resolved that, subject to the approval of the Commissioner of Corporations of the State of California, this corporation issue to any and/or all of the aforesaid persons in liquidation and payment of all or part of the indebtedness as aforesaid, together with interest thereon accrued [83] to the time of the issuance, fully paid, stock in this corporation at its par value for the amount of the indebtedness so liquidated and paid, and that this corporation take and receive from the persons aforesaid a cancellation and satisfaction of said notes to the extent that stock may be so issued to the respective holders thereof.

AND BE IT FURTHER RESOLVED, That the President and Secretary of this corporation be and they are hereby, authorized and empowered to make application to the Commissioner of Corporations of the State of California, for a permit to sell and/or issue to and/or among the foregoing persons only, and none other, forty thousand shares of the capital stock of this corporation, at par, either,

(a) For cash, lawful money of the U. S., and/or

(b) Such amount thereof as may be necessary to pay, liquidate and discharge not to exceed the amount of the indebtedness to said persons, hereinbefore referred to, for principal and/or interest accrued on said notes to the time when said stock may be issued.

There being no further business before the meeting, on motion duly made and seconded, it was adjourned.

.....  
Secretary.

.....  
President.

[84]

—————  
EXHIBIT “D”

Before the State Corporation Department of the  
State of California.

LA-264.

In the Matter of the Application of

CHANDIS SECURITIES COMPANY

for a permit authorizing it to sell and issue its  
securities.

SUPPLEMENTAL PERMIT.

This permit does not constitute a recommendation or endorsement of the securities permitted to be issued, but is permissive only.

CHANDIS SECURITIES COMPANY, a California corporation, is hereby authorized to sell and issue its securities as hereinbelow set forth:

1. To issue to any or all of the persons named in its application filed on the 20th day of December, 1929, an aggregate of not to exceed 35,156 shares of its capital stock as considera-



tion for the cancellation of the indebtedness of applicant to them, described in said application; \$100.00 of such indebtedness to be cancelled upon the issuance of each of said shares.

2. To sell and issue to any or all of the persons named in its application filed on the 20th day of December, 1929, an aggregate of not to exceed 4,844 shares of its capital stock, at par, for cash, lawful money of the United States, for the uses and purposes recited in its application, and so as to net applicant the full amount of the selling price thereof.

This permit is issued upon the following condition:

(a) That unless sooner revoked, suspended, or renewed by the Commissioner upon such terms and conditions as he may deem proper, this permit and all authority to sell or issue securities hereunder shall terminate and expire on the 26th day of December, 1931.

Dated: Los Angeles, California,  
December 26, 1929.

[Seal]

ARTHUR H. GARLAND,  
Commissioner of Corporations.

By J. A. HEHN (Sgd)

JAH

Deputy. [85]

EXHIBIT "E"

Corporation Department of the State of California.

In the Matter of the application of

CHANDIS SECURITIES COMPANY

for a certificate authorizing it to cancel and reissue  
certain shares of stock.

To the Commissioner of Corporations of the State  
of California:

The application of CHANDIS SECURITIES  
COMPANY respectfully shows:

That applicant is a California corporation; that  
on the 15th day of November, 1929, a certificate of  
Amendment of Articles of Incorporation of Chandis  
Securities Company was duly and regularly made  
and issued by the Secretary of State of the State of  
California and thereafter duly and regularly filed  
in the office of the County Clerk of Los Angeles  
County; that by said amendment of said Articles of  
Incorporation said Chandis Securities Company  
changed and increased its capital stock from an ag-  
gregate par value of \$500,000.00 to an aggregate par  
value of \$5,000,000.00 and changed the par value of  
all of the capital stock of said corporation from  
\$1,000.00 to \$100.00 per share.

That at the time of making such amendment to  
the articles of Incorporation there was issued and  
outstanding and there still is issued [86] and out-  
standing, in the names of the following persons,

shares of stock in said corporation of the par value of \$1,000.00 each, as set opposite each of the names of said persons, to-wit:

In Name of:	No. Shares	Aggregate Par Value
Marian Otis Chandler	200	\$200,000.00
Franceska Chandler		
Kirkpatrick	35	35,000.00
May Chandler Goodan	35	35,000.00
Helen Chandler	35	35,000.00
Philip Chandler	35	35,000.00
Ruth Chandler	35	35,000.00
Harrison Gray Chandler	35	35,000.00
Constance Chandler	35	35,000.00
Norman Chandler	35	35,000.00
Harry Chandler	20	20,000.00
	<hr/> 500	<hr/> \$500,000.00

That on the 26th day of December, 1929, the Commissioner of Corporations of the State of California issued Supplemental Permit No. LA 264, authorizing the sale and issuance of shares of stock of said corporation aggregating \$4,000,000.00.

That in order that all shares of stock of said applicant corporation issued and outstanding may be uniform and in each case reflect the true par value of each share and the correct capitalization of said corporation, it is advisable and desired that the stock certificates evidencing the aggregate of 500 shares

in the names of the persons aforesaid, be cancelled and in their place instead, certificates of stock aggregating 5,000 shares of the total par value of \$500,000.00 be issued to said persons.

It is therefore respectfully requested that the Commissioner [87] of Corporations issue his permit, authorizing the cancellation and reissue of stock as aforesaid.

CHANDIS SECURITIES COMPANY,

By.....,

President.

By.....,

Secretary.

State of California,  
County of Los Angeles—ss.

Harry Chandler, being first duly sworn, deposes and says: That he is an officer, to-wit: the President of Chandis Securities Company, a corporation, and as such gives this verification for and on behalf of said corporation; that he has read the foregoing application to the Commissioner of Corporations and knows the contents thereof and that the same is true of his own knowledge except as to those matters which are therein stated upon *inclination* or belief and as to those matters he believes it to be true.

.....  
Subscribed and sworn to before me this.....  
day of January, 1930.

.....  
Notary Public in and for County of Los Angeles,  
State of California. [88]



## EXHIBIT "F"

Before the State Corporation Department of the  
State of California.

LA 264

In the matter of the application of

## CHANDIS SECURITIES COMPANY

for a permit authorizing it to sell and issue its securities.

## SECOND SUPPLEMENTAL PERMIT

This permit does not constitute a recommendation or endorsement of the securities permitted to be issued, but is permissive only.

## CHANDIS SECURITIES COMPANY,

a California corporation, is hereby authorized to sell and issue its securities as hereinbelow set forth:

1. To issue to the stockholders named in its application an aggregate of not to exceed to any or all of them, 5,000 shares of its capital stock of \$100.00 par value, in exchange for certificates evidencing 500 shares of its capital stock of \$1,000.00 par value, heretofore issued by it, on the basis of 10 shares of its \$100.00 par value capital stock for each share of \$1,000.00 par value capital stock so exchanged, the outstanding certificates to be surrendered to applicant and immediately cancelled.

This permit is issued upon the following condition:

(a) That unless sooner revoked, suspended or renewed by the Commissioner upon such terms and conditions as he may deem proper, this permit and all authority to sell or issue securities hereunder shall terminate and expire on the 7th day of November, 1930.

Dated: Los Angeles, California, May 7, 1930.

[Seal]

F. G. ATHEARN

Commissioner of Corporations

By J. R. CAMPBELL

Deputy

[Endorsed]: Filed Oct 5, 1933. [89]

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In the United States Circuit Court of Appeals for  
the Ninth Circuit.

[Title of Cause.]

#### STATEMENT OF EVIDENCE

The following is a statement of evidence in narrative form in the above-entitled cause. This cause came on for hearing before the Honorable Ernest H. Van Fossan, Member of the United States Board of Tax Appeals on October 5, 1933, at Los Angeles, California. A. Calder Mackay and George M. Thompson appeared for the petitioner and Mason B. Leming (E. Barrett Prettyman, General Counsel, Bureau of Internal Revenue) appeared for the respondent.

Before any testimony was taken there was offered and received, on behalf of both parties, an agreed stipulation of facts with the annexed ex-

hibits referred to therein. Thereupon, counsel for the petitioner and counsel for respondent, in open court, stipulated that the value of the stock of the Chandis Securities Company was \$60.00 per share at any time material to these proceedings.

HORACE E. DOWNING,

being called as a witness by and on behalf of the petitioner, after being duly sworn, testified on direct examination as follows:

I am now and was in 1929 and for some years prior to that time assistant secretary of the Chandis Securities Company. As assistant secretary I was in charge of the stock certificate books of the Chandis Securities Company showing just who owned the stock of that company. [90]

The stock of the Chandis Securities Co., prior to 1929 was owned by Mr. Harry Chandler, Mrs. Marian Otis Chandler, Mrs. Franceska Chandler Kirkpatrick, Mrs. May Chandler Goodan, Mrs. Ruth Chandler Williamson, Mr. Norman Chandler, Mr. Harrison G. Chandler, Helen Chandler and Phillip Chandler. As of December 31, 1929, each of the stockholders owned the following number of shares:

Marian Otis Chandler	200 shares
Franceska Chandler Kirkpatrick	35 "
May Goodan	35 "
Ruth Williamson	35 "
Norman Chandler	35 "
Harrison Chandler	35 "
Phillip Chandler	35 "

(Testimony of Horace E. Downing.)

Helen Chandler	35	''
Harry Chandler	20	''
Constance Chandler	35	''

The same condition prevailed with reference to share holdings of the old stock prior to December, 1929.

Continuing the witness testified as follows:

Q. I see. Now, who handled the issuance of the—I will withdraw that.

It is stipulated here, Mr. Downing, that the Chandis Securities Company made application for permit to increase its capitalization to \$5,000,000, and that new shares of stock were issued. I will ask you if you handled, you as assistant secretary of that corporation, the issuance of the new stock?

A. I did.

Q. And as assistant secretary of that corporation did you also—well, I will withdraw that.

It is further stipulated that this stock was issued, the new stock was issued for notes and interest, as well as some of the old stock. I will ask you if you handled the details with respect to receiving the notes and seeing that they were cancelled? [91]

A. I did.

Q. Do you know, Mr. Downing, just when the notes that have been stipulated here and which were held by Mrs. Chandler and the other petitioners were cancelled?



(Testimony of Horace E. Downing.)

A. Yes. They were cancelled on January 2, 1930.

Q. I hand you herewith a bunch of notes, or a number of notes which appear to be pretty well plastered with documentary stamps cancelled, and I will ask you if these are the notes that you refer to when you say they were cancelled on January 2, 1930?

(The documents in question were passed to Mr. Downing.)

A. Yes.

Q. I notice on these notes, Mr. Downing, either a stamp or typewritten diagonally across here some writing. I will ask you if you know how that got on there and to tell the court just what that is.

A. That was a cancellation of the notes and was written in my office preparatory for the signature of the note owners.

Q. You say this was written in your office preparatory to that?

A. It was.

Q. And it was written under your direction?

A. Yes.

Q. It is stipulated that there were a number of notes which were cancelled at that time, and I will ask you if all of the notes at that time were cancelled on January 2, 1930?

A. They were.

Q. I will ask you whether or not this same writing on the face of it, that you have here described, was contained on all the notes?

A. It was. [92]

(Testimony of Horace E. Downing.)

Q. At that time?

A. It was.

Q. I will ask you to examine these notes and tell whether or not the writing is on them all, the writing showing the cancellation?

A. It is.

Q. I notice as part of that writing there are names. I have in my hand a note of Marian Otis Chandler. I will ask you if that is her signature that you see written on it.

(The document in question was passed to Mr. Downing)

A. It is.

Q. Did you see her sign it?

A. Yes.

Q. On these other notes I see the signatures of the various petitioners. Do you identify those signatures as the signatures of the various petitioners and the people that you have heretofore referred to as the stockholders of the Chandis Securities Company?

A. I do.

Mr. MACKAY: If your Honor please, there are numerous notes here. I should like to offer them in evidence at this particular time. I do not know whether it would be necessary to offer them all or not. They are all the same, and I would think that perhaps one would be sufficient, since they have been identified as all being the same. If counsel will not agree, we can offer all those notes. It is

(Testimony of Horace E. Downing.)

merely for the purpose of showing these notes were cancelled on January 2, 1930.

The MEMBER: You have photostatic copies of them?

Mr. MACKAY: Yes, your Honor.

The MEMBER: Of all of them?

Mr. MACKAY: Well, I think I have. I have photostat copies of most of them, anyhow. [93]

Mr. LEMING: We have entered into a stipulation of fact which sets out the consideration for the issuance of these notes and what has happened to them in the way of payment of interest, and accrual of interest, the fact that in the year 1929 the stockholders proposed to accept stock for their indebtedness, the directors approved that proposal, subject to the approval of the Corporation Commissioner of the State of California, and the Corporation Commissioner approved it, all of which transpired in the year 1929.

I should like to ask counsel now the purpose in offering these cancelled notes.

Mr. MACKAY: If your Honor please, in my opening statement I said that there was an issue here that we were contending that even though it is not held to be a reorganization, tax free, that nevertheless it is our contention that these petitioners never received anything during the year 1929.

My only purpose in offering these is to show that the notes were cancelled on January 2, 1930.

(Testimony of Horace E. Downing.)

The MEMBER: You are relying on an inference being drawn from that that they did not receive payment until 1930?

Mr. MACKAY: Yes, I am following that up, if your Honor please. That is right.

Mr. LEMING: May I examine the witness with respect to the notes?

Mr. MACKAY: Now, of course, if your Honor please, I want to clear up the record here. We do not take the position here, or the taxpayers do not, that there was any offer. We have put in all these documents showing the minutes of the meeting of the Board of Directors, and the application to the Corporation Commissioner and the permit issued, but we are not admitting for one minute that there was any offer and acceptance happening in 1929.

The MEMBER: You are just stating the facts and submitting to the Board the question?

Mr. LEMING: Mr. Downing, have you checked these notes to see that they are, in the aggregate, the same amount as mentioned in the stipulation of facts in the record?

The WITNESS: No, I have not; I do not know. [94]

Mr. LEMING: Will counsel state whether or not these conform to the stipulation of fact in aggregate amount?

Mr. MACKAY: I do not know, Mr. Leming.

The MEMBER: You are not offering it in proof of the amount, are you?



(Testimony of Horace E. Downing.)

Mr. MACKAY: No, because that was eliminated. All I wanted here—there may be some more. If you want me to get them all, I will get them.

Mr. LEMING: I should think they would all be essential.

Mr. MACKAY: The only way I can do it is to take a recess and check up. They may all be here. I do not know.

Could we take a recess while we check this up, if your Honor please?

It is just a question of checking up the amount.

The MEMBER: Very well.

(At this point a recess was taken, after which proceedings were resumed as follows).

The MEMBER: Proceed.

By Mr. MACKAY:

Q. Mr. Downing, I have in my hand now the notes that you have identified as the notes of Mrs. Chandler and the other petitioners here, and during the recess have you checked these notes to determine whether or not these are all the notes that were cancelled and for which stock was issued?

A. I have.

Q. All of these notes are of the same general form, are they not?

A. Yes.

Q. Identical, with the exception of name and amount?

A. Yes.

(Testimony of Horace E. Downing.)

Q. You have examined all the notes and you find they contain a cancellation dated January 2, 1930?

A. They do. [95]

Q. Is it your testimony that these notes were cancelled on the date they purport to be cancelled?

A. They were.

Q. And they were cancelled by you?

A. They were.

Mr. MACKAY: If your Honor please, at this time we offer in evidence these notes, with the right to withdraw or substitute photostat copies thereof.

Mr. LEMING: I believe your Honor gave me permission to examine the witness before they are ruled upon as to their admissibility?

The MEMBER: Do you feel that is essential in determining the competency of the exhibit? Can't you leave that until cross examination?

Mr. LEMING: If your Honor please, this witness has, as a matter of fact insufficient knowledge to justify their admission in evidence at this time. I would like to inquire if any of these petitioners are present?

Mr. MACKAY: No, there are no petitioners present.

Mr. LEMING: None of them are present in the courtroom?

Mr. MACKAY: No.

Mr. LEMING: Are any of them present in Long Beach?

(Testimony of Horace E. Downing.)

Mr. MACKAY: I do not know about that.

Mr. LEMING: Where do they reside, in Los Angeles?

Mr. MACKAY: They reside in Los Angeles.

Mr. LEMING: Are they all there at this time?

Mr. MACKAY: I do not know about that.

Mr. LEMING: It seems to me that there has not been sufficient identification here of the subject matter that is supposed to represent the cancellation or the identity of the signatures of these several persons. [96]

Now, if they offer them on the theory that they have been properly identified and accounted for as to notations and signatures, then, of course, I would object.

Mr. MACKAY: Pardon me. I think I had better cover this in more detail.

The MEMBER: Proceed:

By Mr. MACKAY:

Q. Now,—

By Mr. LEMING:

Q. Mr. Downing, I will ask you to please take the notes here—or I can do this, as your Honor suggests, to expedite the matter; I can proceed on cross examination to develop the matters and move later to strike.

Mr. MACKAY: I will bring this out; I did not go through them and identify the signatures of each individual; but I should like to do that in order to perfect my record.

(Testimony of Horace E. Downing.)

The MEMBER: Proceed as rapidly as convenient.

By Mr. MACKAY:

Q. Mr. Downing, I show you three notes here which you have identified as the Chandis Securities Company's and they are all made out to Marian Otis Chandler.

I shall ask you to please examine each one of these three notes and state whether or not on the face of them, under the writing you have identified as the writing you put on there when they were cancelled, you know the signature thereon is the signature of Marian Otis Chandler?

A. It is.

Q. You are familiar with her signature?

A. Very.

Q. And you know it?

A. Yes, sir.

Q. I show you three other sets of notes, apparently made out to Franceska Chandler Kirkpatrick, and I will ask you to state to the court whether or not you knew her [97] signature and know her signature, and whether or not her signature appears on those notes in the places noted there for cancellation?

(The documents in question were passed to Mr. Downing.)

A. I know her signature, and that is her signature.

Q. I will ask you to examine all these notes and to read to the court the names, the payee of the notes, and state whether or not—



(Testimony of Horace E. Downing.)

The MEMBER: It will not be necessary to go into this detail unless you think it is very essential. Examine all the notes, and identify each one as to the payee of the note and the signature purporting to be a cancellation, and then state, if you will, whether or not they all bear the signatures.

The WITNESS: These notes are all cancelled by the persons to whom they are made payable and the cancellation is in their handwriting. It is their signatures.

The MEMBER: You are thoroughly familiar with the signature of each?

The WITNESS: I am.

The MEMBER: The signatures were made in your presence?

The WITNESS: They were.

The MEMBER: They were made on January 2, 1930?

The WITNESS: They were made in the early part of January 1930. They may not all have been made upon that date.

The MEMBER: Proceed.

Mr. MACKAY: Now, if your Honor please, I think that the signatures of each one of these individuals have been properly identified, and I think that the notes have been properly identified as the notes of the petitioners here.

The MEMBER: They may be received in evidence. You may substitute photostatic copies. You need not mark each of the originals. You can mark all of the photostatic copies.

(Testimony of Horace E. Downing.)

The CLERK: Shall I make them all Exhibit 1? [98]

The MEMBER: Mark them all Exhibit 1.

(The documents referred to were received in evidence and marked collectively, "Petitioner's Exhibit No. 1", and made a part of this record.)

By Mr. MACKAY:

Q. Now, Mr. Downing, did you also issue the stock of the Chandis Securities Company, the new stock?

A. I did.

Q. I mean you took care of the details of issuing that?

A. Yes.

Q. Have you a record which shows when the stock was issued, and to whom?

A. I have.

Q. Have you that in your possession?

A. I have.

Q. It has been stipulated that certain shares of stock were issued to the petitioners here in consideration for notes and accrued interest.

I will ask you to please examine your record and state to whom the stock was issued, and what date the stock was issued?

The MEMBER: Are those facts stipulated?

Mr. MACKAY: Not when it was issued, your Honor.

The MEMBER: Not when it was issued?

Mr. MACKAY: But to whom it has been issued. It has been stipulated, of course, the stock was is-

(Testimony of Horace E. Downing.)

sued to those individuals, and all I want to bring out by this witness is when those stocks were issued.

The WITNESS: Certificate Number 29 was issued to Marian Otis Chandler on January 2, 1930.

Certificate Number 30 was issued to Franceska C. Kirkpatrick on January 2, 1930. [99]

Certificate Number 31 was issued to May C. Goodan on January 2, 1930.

Certificate Number 32 was issued to Helen Chandler on January 2, 1930.

By Mr. MACKAY.

Q. Just a moment. All right; go ahead.

A. Certificate Number 33 was issued to Phillip Chandler January 2, 1930.

Certificate Number 34 was issued to Ruth C. Williamson on January 2, 1930.

Certificate Number 35 was issued to Harrison G. Chandler on January 2, 1930.

Certificate Number 36 was issued to Constance Chandler on January 2, 1930.

Certificate Number 37 was issued to Norman Chandler on January 2, 1930.

Q. Now, Mr. Downing, you have in your possession the stock certificate stubs do you not?

A. Yes I have.

Q. For the stock that you have just read?

A. Yes.

Q. I will ask you if there is a signature on each one of those stock certificate stubs showing the issuance of the stock that you have just related?

(Testimony of Horace E. Downing.)

The MEMBER: Showing the issuance or the receipt?

Mr. MACKAY: Showing the receipt. Thank you, your Honor.

The WITNESS: There is.

By Mr. MACKAY:

Q. Do you identify those signatures as the signatures of the petitioners?

A. They are.

Q. And they are the same signatures that you have identified as being on the notes, the cancellation of notes? [100]

A. They are.

Q. Do those stock certificate stubs show what date the stock was issued to these individuals?

A. Yes, they do.

Q. What dates do they show?

A. January 2, 1930.

Q. In each instance?

A. In each instance.

Q. Now, you have had photostatic copies made of these certificates, and also the stubs, have you not, Mr. Downing?

A. I have.

Q. And you gave them to me?

A. I did.

Q. I hold in my hand the photostat copies of the certificates that you have just enumerated, which also contain, I believe a photostat copy of the stubs, and also the backs.



(Testimony of Horace E. Downing.)

I will ask you to please examine these photostat copies and state—just a moment before I do that.

I will first ask you if from the stubs you have read here, stock certificate stubs, there have been detached the certificates Mr. Downing?

A. Yes.

Q. When you had these photostats made, were the certificates laid along opposite the certificates or the stubs?

A. It would appear so.

Q. Yes. I will ask you to please examine these photostats I show you now and state to the court whether or not those are photostat copies of the certificates and the stubs that you have just referred to?

(The documents in question were passed to Mr. Downing.) [101]

Mr. MACKAY: That is quite evident, Mr. Leming. I could separate those with a knife, if you want me to, but I think for convenience they should all be there together.

The WITNESS: They are.

By Mr. MACKAY:

Q. I notice on the back of each one, the back, what appears to be the back of the stock certificate; is that right, Mr. Downing?

A. That is right.

Q. And at the right hand side there are some cancelled document stamps. Where did you get that picture from? Is that from the back of the stock certificate stubs?

(Testimony of Horace E. Downing.)

A. That is the back of the stock certificate stubs.

Q. And when were those—when those were photostated, the certificates were not attached, were they?

A. They were not.

Mr. MACKAY: We would like to offer in evidence the stock certificates which were issued at that time, and also the stubs, and I should like to substitute photostat copies of the documents which I just referred to.

I call your Honor's attention to the fact they appear to be together, but they were not together when they were actually photostated. It is quite evident that they were placed together, as you can see from some of the marks.

The MEMBER: Any objection?

Mr. LEMING: Only on the ground of materiality, if your Honor, please.

The MEMBER: They may be received as Exhibit Number 2. They will be marked as indicated in the last exhibit preceding this.

(The documents referred to were received in evidence and marked collectively, "Petitioner's Exhibit No. 2", and made a part of this record.) [102]

By Mr. MACKAY:

Q. I think I have asked you, but to make sure, Mr. Downing, from your own personal knowledge do you know when these stock certificates that have just been received in evidence were issued by the corporation, issued by you?

A. When?

(Testimony of Horace E. Downing.)

Q. Yes.

A. On January 2, 1930.

Q. January 2, 1930?

A. Yes.

Q. Mr. Downing, it has been stipulated here that there were outstanding a certain number of notes on January 1, 1923, which contained a provision, of course, that interest should be paid. Do you know how that interest was handled on the books of the Chandis Securities Company?

A. The interest was charged as an expense of operation for the year and was credited to the account in the ledger which contained the principal of the note of the payee.

Q. Mr. Downing, have you a record here of the Chandis Securities Company, other than the stock certificates, showing just when these stocks were issued? Have you the stock journal, Mr. Downing?

A. No.

Q. Have you any journal here?

A. No.

Q. Did you prepare a statement, a balance sheet of the Chandis Securities Company, a closing balance sheet for the year 1929?

A. Yes.

Q. There was one prepared under your direction?

A. There was.

Q. From what books did you prepare the statement, Mr. Downing? [103]

(Testimony of Horace E. Downing.)

A. From the general financial books of the corporation, which were concentrated in what we call the balance sheet book.

Q. And you have that book in court?

A. That book is here.

Q. I show you a paper here and ask you if that is a summary showing the closing balance sheet of the Chandis Securities Company for the year 1929?

(The document in question was passed to Mr. Downing.)

A. It is.

Q. Now, Mr. Downing, you have already identified this as a statement that you prepared from the books, and I notice that there are notes payable here to the various individuals, including, of course, the petitioners here before the Board, and opposite each is the amount.

I will ask you if that amount represents just the principal of the notes or whether it includes the accrued interest also at that time?

A. That includes the accrued interest.

Q. I see.

A. At that time.

Mr. MACKAY: If your Honor please, we offer the statement in evidence.

The MEMBER: Any objection?

Mr. LEMING: May I inquire the purpose of the offer?

Mr. MACKAY: The only purpose for which we offer this in evidence is merely to show that the



(Testimony of Horace E. Downing.)

closing balance sheet of the Chandis Securities Company did disclose these notes payable.

Now, counsel in his opening statement there has stated the corporation did take as a deduction the interest that had accrued, and this is merely to show that the corporation at the end of the year in its closing balance sheet treated these notes as notes payable. It shows—— [104]

The MEMBER: Is that shown to refute his suggestion?

Mr. MACKAY: No.

The MEMBER: That they had taken deductions of these amounts?

Mr. MACKAY: I beg pardon?

The MEMBER: I say is that shown to refute the suggestion of government counsel that they had taken deductions of these amounts?

Mr. MACKAY: Not at all. It is offered to show that this transaction was not closed in 1929. We think it is a chain in the evidence.

The MEMBER: Very well.

The MEMBER: Very well.

Mr. LEMING: I object to the document because it is inconsistent with the stipulated facts.

The MEMBER: Will you point to the inconsistency, Mr. Leming?

Mr. LEMING: Because it has been stipulated that the stockholders offered and the directors accepted in proposal to give them stock for their

(Testimony of Horace E. Downing.)

indebtedness in the year 1929, subject only to the approval of the Corporation Commissioner; and the Corporation Commissioner's approval was given in the year 1929.

It is wholly immaterial whether a physical stock certificate was issued, for counsel has not stipulated—I do not recall that he has—these notes were not a liability of this corporation after 1929. They did not pay any interest on them after 1929. There did not accrue any after 1929.

Now, it seems to me to offer something to show that they had them at the close of business December 31, 1929, is certainly inconsistent with most of the stipulated facts.

Mr. MACKAY: Your Honor, I do not see the inconsistency there. The stipulation——

Mr. LEMING: As I understand it, he offers this to show that they still owed these people these sums at the close of business——

Mr. MACKAY: In 1929.

Mr. LEMING: —December 31, 1929. [105]

The MEMBER: I think it goes to the heart of his theory of proof on that angle of the case, and for that reason I will admit it.

The CLERK: Exhibit 3.

The MEMBER: It will be received as Exhibit 3.

(The document referred to was received in evidence and marked "Petitioners' Exhibit No. 3", and made a part of the record.)

(Testimony of Horace E. Downing.)

Mr. MACKAY: Of course, the record is quite clear. I did not go into detail about the stipulation, if your Honor please.

The MEMBER: That will be a matter for argument. Anything you have to say you can put in your brief, if you wish to argue this question of consistency or inconsistency.

Mr. MACKAY: What I had in mind was this: Several statements have been made by counsel that we have agreed there was an offer and an acceptance. Perhaps from the document he may argue there was, but I will not admit it as a fact.

#### On Cross-Examination.

Mr. Downing testified as follows:

The stockholders of the Chandis Securities Company are members of one family. This has always been true of the stock ownership. I have been with the corporation since it was created in 1916. I have been with the Chandler family since 1902. The Chandis Co. was organized at the instigation of Mr. Harry Chandler who was the senior member of the Chandler family. He is the one with whom I have been since 1902.

I have not always been the custodian of these notes. I can not state definitely when they came into my custody the last time. I know Revenue Agent Donally who is sitting here in court. I did not inform him in October, 1931, that these notes were cancelled in 1929. I don't remember whether I informed him at that time [106] that they were



(Testimony of Horace E. Downing.)

in my possession in the year 1929. I will say that I do not remember that I so informed him. They were in my possession in the year 1929. I had them previous to the year 1929, but I can't tell how long previous to that year. I had all of these notes in my possession throughout the year 1929. I did not act as a secretary for all the members of the Chandler family, but they entrusted to my keeping these notes. The notes were kept in the safe which belongs to the Times Mirror Co., which is situated in my room. In the office of the Times Mirror Co., within which the business of the Chandis Securities Co., is transacted. I could not say whether I had the notes all during the year 1928. All of the other records of the Chandis Securities Co. are kept in that same safe, and were so kept throughout the year 1929. I can not say positively whether they were kept there throughout 1928. I can not tell you when I first begun to put things in the safe that belonged to the Chandis Securities Co. It was a progressive matter. I moved in that office in 1923. The safe was not there at that time. Before the safe was moved into the office I kept the records in a very unsatisfactory place, in some filing cabinets. I did not keep all of the records of the Chandis Securities Co. in that filing cabinet in 1923. I would not attempt to say how long I was there before I got a safe. [107]



(Testimony of Horace E. Downing.)

Continuing the witness testified as follows:

Q. Mr. Downing, did any one of these petitioners ever have their hands on these notes at all?

A. Why, most assuredly they did.

Q. When?

A. When they were executed.

Q. How long did they keep them in their possession at that time?

A. That I cannot tell you.

Q. Isn't it a matter of fact that they handed them right back to you?

A. That also is something I cannot tell you positively about, but I think not.

Q. I will ask you, Mr. Downing, if you did not tell Revenue Agent Donally in October, 1931, that exchange of stock for the indebtedness took place in the year 1929, and the notes were cancelled in the year 1929, and the physical issuance of the stock certificates simply was a mechanical action which was delayed because you did not have the certificates printed?

A. I have no recollection of that conversation with Mr. Donnally.

Q. You have no recollection of telling him that the only reason the certificates were not issued in 1929 was because the printer had not printed them?

A. Why no.

Q. You did not tell him that?

A. I have no recollection of telling him that. The stock certificates, if I may say so, are the same

(Testimony of Horace E. Downing.)

certificates which we had previously. The books will show that.

Q. When did you have the certificates printed to take care of the issuance of the new stock?

A. They were not printed. They are the same certificates. [108]

Q. Did they come out of the same stock certificate book?

A. Absolutely, yes, sir.

Q. Did you tell Mr. Donnally then that all that remained to do was the physical mechanical issuance of those certificates?

A. I have no such recollection.

Q. Assuming I am mistaken, Mr. Downing, as to how he said that, I want to be clear with you on this point: Didn't you tell him that nothing remained to be done in 1929 but the mechanical issuance of the stock certificates?

A. I have no recollection of telling him that.

Q. Well, if Mr. Donnally says that is what you did tell him, what would you say to that?

A. I probably should not say anything to it.

Q. Because you have no recollection about it; is that right?

A. I have no recollection of telling him any such thing.

Q. Did the corporation deduct any interest on account of these notes after the year 1929?

Whereupon, counsel for petitioner admitted that the corporation did not deduct any interest on the notes in question after the year 1929 and that no

(Testimony of Horace E. Downing.)

interest was accrued on the books of the corporation, in respect of the notes, after 1929.

Continuing the witness testified that:

Marian Otis Chandler is the wife of Harry Chandler and the secretary of the Chandis Securities Co. She is the mother of all of the other petitioners except Mrs. Franceska Kirkpatrick and May Goodan. The two, last named, are her stepchildren. Dr. John Kirkpatrick is the husband of Franceska Chandler Kirkpatrick. I know him. I conferred with Mrs. [109] Kirkpatrick about these notes that were cancelled in January, 1930, in my office. The conversation in my office with Mrs. Kirkpatrick was relative wholly to the cancellation of the notes and a substitution therefor of the stock. I did not tell her at that time all of the matters had occurred in 1929 which completed that transaction.

Continuing the witness testified and the following colloquies occurred:

Q. Who handles any of the business of the Chandis Securities Company except yourself?

A. Mr. Harry Chandler and his secretary.

Q. Who is his secretary?

A. Mr. John Dolan is his secretary.

Q. Just what are your particular functions, and what were they in 1929?

A. That of taking care of the financial records of the Chandis Securities Company.

Q. Do you know when these petitioners for the first time contended before the Board that they did not get this stock until 1930?



(Testimony of Horace E. Downing.)

Mr. MACKAY: I think the record will show when the petition was filed.

Mr. LEMING: Will counsel agree that they did not raise it until yesterday when you filed your amended petition?

Mr. MACKAY: No, I will not agree to that. I will make this statement for the record, that I was retained in these cases some time in August, at which time I discovered——

The MEMBER: August, 1933?

Mr. MACKAY: Yes. I discovered that, and I suggested——

The MEMBER: Discovered what? [110]

Mr. MACKAY: Discovered the matters I have set forth in the amended petition, to the effect that the deal was not completed in 1929; that they had received nothing. Whereupon I suggested that the amended petitions be made, and I told Mr. Leming at that time that I was going to make them and the amended petitions were filed the first day your Honor sat out here.

The CLERK: The 25th.

Mr. MACKAY: Which was the 25th of September. Prior to that time I did not feel I could file them, because other members of the Board were out here, and I understood their paraphernalia and records were going north.

Mr. LEMING: You mean to say you spoke to me after I arrived in Los Angeles in August, recently?



(Testimony of Horace E. Downing.)

Mr. MACKAY: Yes. I think it was after you had arrived that I was retained, so I will take the blame for raising that issue.

Mr. LEMING: May we see the original stock certificates that have been offered in evidence?

(The documents in question were passed to Mr. Leming.)

Mr. LEMING: What I would like to have is the stock certificates issued here in that sum, authorized by the Corporation Commissioner, in the total sum we have stipulated? Didn't you offer those in evidence?

Mr. MACKAY: Yes. I thought they were here. Mr. Downing, did you bring the original certificates that were issued on January 2, 1930? I understood you that you have them down here?

The WITNESS: Did I bring them?

Mr. MACKAY: I understood you had them down here with you.

The WITNESS: They are available.

Mr. MACKAY: I am sorry.

Mr. LEMING: Have these been offered in evidence?

Mr. MACKAY: Yes, they were offered in evidence and photostats substituted. [111]

When did you have a new certificate book printed, Mr. Downing?

The WITNESS: We had no new certificate book printed.

(Testimony of Horace E. Downing.)

Mr. MACKAY: And you had none up to this time?

The WITNESS: No, sir.

Mr. MACKAY: Do you have the journal of the Chandis Securities Corporation here, Mr. Downing?

The WITNESS: No, sir.

Mr. MACKAY: Doesn't that journal show the fact that those stock certificates were issued as of December, 1929?

The WITNESS: No, sir.

Mr. LEMING: If your Honor please, I would like to have that journal produced.

The WITNESS: Well,—

Mr. MACKAY: Have you a sheet showing that?

Mr. LEMING: Let us see the journal book, the original entry in that book. If it is not here, I think it is of sufficient importance to ask his Honor for a subpoena for it.

Mr. MACKAY: We will get it. There is no need to subpoena it. We will get anything that you want.

Mr. LEMING: All right, thank you.

Mr. MACKAY: I had intended to go into that matter. May I take the witness for a minute?

Mr. LEMING: All right.

By Mr. MACKAY:

Q. Mr. Downing, I will hand you some papers and ask you if that is the original entry that was made by you or under your direction, showing the original entry made in any records of the Chandis

(Testimony of Horace E. Downing.)

Securities Company, showing when the stock certificates were issued? I am referring to the new certificates. [112]

A. This is a rough draft of the journal entries from which the entry was made in the journal, the permanent journal of the Chandis Securities Company.

Q. I see. And have you made a copy of that or a summary of it?

A. I have, yes, sir.

Q. I show you a document and ask you if that is a summary that you have made of it, or is it a true copy, which?

(The document in question was passed to Mr. Downing.)

A. It is a true copy of the entries as made in the journal. In explanation of that, I may say for your information that here is some——

Q. You are turning to the second page there?

A. The second page. There is some collateral information here which is not pertinent to the original entries, and which was eliminated.

Q. What is this paper? You say it is the original entry. Where has it been kept?

A. It has been kept in the office of the Times Mirror, Chandis Securities Company, in Room 1.

Q. That is, your journal up in Los Angeles?

A. Yes.

Q. It can be brought down here if necessary?

A. Yes.

(Testimony of Horace E. Downing.)

Q. Do you know what date the journal itself shows the entries were made?

A. In April, 1930.

Mr. MACKAY: If your Honor please, I am just offering this testimony to clear up an inference that was raised on cross examination, and I offer this in evidence and would like to substitute a copy of it.

The MEMBER: Do you wish to examine this, Mr. Leming?

Mr. LEMING: Yes, your Honor. [113]

(The document in question was passed to Mr. Leming.)

Mr. MACKAY: I may state for the record that I intended to go into that and the reason that was brought down I expected to prove that fact. Mr. George M. Thompson and I consulted on that before we began, and came to the conclusion it was not necessary to burden the record with any more detail along that line. It is merely cumulative, anyway of what we put in.

The MEMBER: Proceed.

By Mr. LEMING:

Q. Mr. Downing, did you take this data off the books yourself on these yellow sheets?

A. No, sir. That is the data from which the books themselves were written.

Q. Now, just what do you mean by that?

A. That is a rough draft, preparatory draft of data to be transcribed into the financial journal.



(Testimony of Horace E. Downing.)

Q. Who made this rough draft?

A. That was made by a bookkeeper by the name of Mr. Hess, and was submitted to me for approval.

Q. Are there identifying marks on it of yours in any way?

A. Yes. There are some interpolations. There is one, and this is my handwriting.

Q. When you say this is your handwriting, just read what you say is your handwriting?

A. "See Corporation Commissioner's permit Number L. A.-264 dated December 26, 1929."

Q. That appears right under what? Read what appears as the caption of that.

A. "Subscriptions to stock. To capital stock subscribed to record subscriptions to stock by the following people at \$100 per share."

It goes on and states these people, with the number of shares opposite their names.

Q. You say the thing you have in your hand and which has just been offered in evidence by counsel for the [114] petitioners——

The MEMBER: It has not been marked.

By Mr. LEMING:

Q. (Continuing) But not yet marked. You say that document, or those documents, which are pinned together, became the basis of the journal entries?

A. They did.

Q. I do not know much about bookkeeping, but I assume from what you say that somebody first makes a notation of what is to go into a journal,

(Testimony of Horace E. Downing.)

and that goes to the bookkeeper and he records it; is that right?

A. Usually the other way. The bookkeeper usually makes the proposed journal entries and sends them to me, and I return them to him and he incorporates them into the financial books.

Q. Is he supposed to put it into the books just as you have approved it?

A. All with the exception of changes in error or context.

Q. Do you recall what the books actually show about this journal entry J-193-22?

A. Do I what?

Q. Do you recall offhand or can you refresh your recollection any way and say what the journal actually shows as to this entry described as J-193-22?

A. No, I cannot. Have you anything there that purports to be it?

Q. I have a notation here which purports to be it, and it says "Part payment by cancellation of note plus interest as of December 31, 1929." That purports to be a direct copy from the book itself. Would you say that would be right?

A. I should judge so, yes.

Q. Then right under it shows the amount of each one, for instance, M. O. Chandler, \$1,472,056.62, and the others in order, which are the same amounts as described in the stipulation of facts, if I am not mistaken. [115]

(Testimony of Horace E. Downing.)

A. Yes. This is right. This states just exactly what it is.

Q. All right. It also shows the stock they got and the cash they paid.

A. Not at that time, not as of December 31, 1929. That refers to interest only, plus interest as of December 31, 1929. That does not refer to the cancellation of the stock at that date, or the net. It refers to plus interest as of December 31, 1929.

Q. There was not any interest after that date, was there?

A. There was not.

Mr. LEMING: Did you offer this?

Mr. MACKAY: Yes.

Mr. LEMING: No objection.

The MEMBER: It will be received as Exhibit Number 4.

(The document referred to was received in evidence and marked "Petitioner's Exhibit No. 4" and made a part of this record.)

Continuing the witness testified:

I have a very definite recollection that the long delay between the issuance of the stock certificates on January 2, 1930, and the entries made in the books in April or May, 1930, was due to the press of work occasioned by the United States Government income tax. No, that was not in progress also in December, 1929. We could not do anything regarding the income tax for the year 1929 until after the close of our fiscal year. It was immediately

(Testimony of Horace E. Downing.)

after the close of 1929 that we began to get our income tax returns ready for the year 1929. We commenced to correlate them in January. [116]

Referring to Petitioner's Exhibit No. 1, and to the typewritten matter across the face of the notes, I did not do that typing.

Continuing the witness testified:

Q. You have had occasion no doubt to handle a good deal of negotiable paper, have you not?

A. Some.

Q. Well, if you had a note outstanding and you paid the note off and somebody had returned the note to you, would you consider the note cancelled?

A. Not unless they cancelled it themselves. I should require the cancellation of it.

Q. If the note had been paid and the note was delivered back to you—for instance, if you gave a note to somebody and that note was paid and the note returned to you, you would regard that note as cancelled, wouldn't you?

A. No, sir, I would not.

Q. If you paid it and got the note back in your own possession you would still say you would not regard it as cancelled?

A. No, sir, I would not. I might lose that note, I would not.

Q. In other words you would think somebody would have to write across it and say, "It is hereby cancelled"?

A. Yes, sir.



(Testimony of Horace E. Downing.)

Q. In your own opinion there is no cancellation until somebody does that?

A. That is my opinion.

Mr. LEMING: That is all.

Mr. MACKAY: If your Honor please, I have just sent to Los Angeles for that journal record to clear up that matter. It may not be here until two o'clock. I understand counsel has no witnesses, and we perhaps could close before that, but I should like very much to clear that [117] up and show just when those journal entries were made, because we want to overcome the inference I think has been wrongly drawn from it.

Mr. LEMING: Your Honor, there is no controversy between us as to when the journal entry was made. That was made in 1930.

Mr. MACKAY: All right.

Mr. LEMING: But the journal shows it was made as of December, 1929.

Mr. MACKAY: Whatever that shows then.

Mr. LEMING: There is a slight discrepancy between what he says was the pattern for the journal entry and the actual journal entry, but if it is agreed it was as of December, 1929, I have no objection.

Redirect Examination.

By Mr. MACKAY:

Q. Will you examine Exhibit Number 4 and state when that journal entry was made?

A. In April, 1930.

(Testimony of Horace E. Downing.)

Q. Was it made as of any date?

A. As of April, 1930.

Q. Was it made as of December 31, 1929?

A. No.

Q. Mr. Downing, I neglected on my direct examination to have you identify the stock certificates that were issued, I believe, pursuant to the permit dated in May, which is stipulated and which were issued to the old stockholders in exchange for their stock. I show you a number of certificates, and I ask you to identify those and state what they are?

A. These are the certificates which were issued in lieu of the former certificates outstanding, representing the original capitalization.

Q. And were they issued on the date that they bear?

A. May 7, yes. [118]

Q. May 7th, when?

A. 1930.

Q. Would you please turn to the stubs in the stock book which I hand you and turn to the stubs Numbers 38, 39, 40, 41, 42, 43, 44, 45, 46 and 47.

A. Yes, sir.

Q. I will ask you to please state if on those stubs there are signatures of the petitioners that you have identified before?

A. There are.

Q. And they show that the stock was received on May 7th, 1930?

(Testimony of Horace E. Downing.)

A. They show the stock was issued on May 7, 1930.

Q. I see. And there were documentary stamps, were there, attached to those certificates?

A. No.

Q. It was a new issue?

A. No.

Q. You at my request prepared or had photostats made, did you?

A. Yes, I did.

Q. Of these stubs and certificates?

A. I did.

Q. At the time these photostats were made, were the certificates attached to the stubs?

A. No they were not.

Mr. MACKAY: If your Honor please, I should like to offer in evidence these original stubs that I have referred to here, and also the original certificates, with the privilege of withdrawing them and substituting photostat copies. [119]

The MEMBER: Any objection?

Mr. LEMING: No.

The MEMBER: They will be Exhibit Number 5.

(The documents referred to were received in evidence and marked "Petitioner's Exhibit Number 5", and made a part of this record.)

Continuing the witness testified:

I also do work for the Times Mirror Co., and did in 1929. I have been doing work for the Times Mirror Co. for some time, so my duties are not confined

(Testimony of Horace E. Downing.)

just to the mere routine of the Chandis Securities Co. Confining myself to around 1929 and 1930, besides taking care of the issuance of stock of the Chandis Securities Co. and so forth, I am employed by the Times Mirror Company in the capacity of auditor and assistant secretary. That carries with it the necessity of doing the work which may arise in the Chandis Securities Co. Also it requires my attention to a great many of the individual requirements of the members of the executive committee of the Times Mirror Co., among whom are Mr. Harry Chandler and Mr. Pfaffinger. Mr. Harry Chandler and Mr. Pfaffinger are on the executive committee of the Times Mirror. Then in addition there is all the work which naturally gravitates to an office like that. It has to do with individual members of the Times Mirror organization. Some of those are R. W. Trueblood, S. W. Crabell, J. Baum, A. N. Damon, and many others. The Times Mirror Company is the organization that prints the Los Angeles Times newspaper. [120]

Continuing the witness testified and the following colloquies occurred:

Q. I see. Now, you have been asked on direct examination—or on cross examination, rather, to a considerable extent about the safe that is in your office. I will ask you to please state to this Board just who uses that safe for keeping their valuables or records, or whatever they keep in it?

A. I am afraid that that would take——



(Testimony of Horace E. Downing.)

Mr. LEMING: If your Honor please, I object to this line of redirect examination. The only reason for the discussion of the safe was this: It was being inquired of this witness as to when he got these particular notes, and how long he had had them in his possession, and he said he had them in his possession throughout the year 1929, and he had them in that safe. There is no occasion for any redirect examination on that.

The MEMBER: I think it is merely piling up the record.

Mr. MACKAY: If your Honor please, the inference was drawn, at least that I got from his cross examination, that these notes were just given to him there. I want to bring out this fact, that these notes were in that safe, as were the stock certificates after, and that this safe was not only used for the Chandis Securities Company, but——

The MEMBER: What difference does it make how many people used it?

Mr. MACKAY: I know, but I want to make sure this Board does not get the idea these notes were not genuine notes and that they were held by this man other than as a mere safe-keeper for the individuals who put their notes in the safe, and where their stock has always rested. That is the reason I am bringing that out.

The MEMBER: I will sustain the objection to the question that was asked.

Mr. MACKAY: Read the question, please, Mr. Reporter, so I may understand it at least.

(Testimony of Horace E. Downing.)

(The pending question was read by the reporter as follows: [121])

“Q. I see. Now, you have been asked on direct examination—or on cross examination, rather, to a considerable extent about the safe that is in your office. I will ask you to please state to this Board just who uses that safe for keeping their valuables or records, or whatever they keep in it.”)

Mr. MACKAY: Note an exception, please.

Q. Mr. Downing, there are stock certificates that have been offered in evidence.

A. What is it?

Q. The stock certificates of the Chandis Securities Company, which have been offered in evidence here and which were issued on January 2, 1930, I will ask if those certificates were kept in the safe?

A. They were.

Q. In the same safe that you had theretofore kept the notes?

A. They were.

Q. I see. And they were kept in that safe, were they, for safekeeping for the various individuals?

A. They were.

Q. And when I speak of the various individuals, I mean the various individuals to whom they belonged?

A. They were.

Q. I will ask you if you were at any time the business manager of the various petitioners here, including Marian Otis Chandler, and the others?

A. I never was.

(Testimony of Horace E. Downing.)

Q. You never were?

A. No.

Q. Did you have any other duties with them, other than permitting them to keep in the safe the notes and the certificates and some other valuable papers?

A. That is all, with the exception of taking care perhaps [122] of some of their income tax returns.

Q. I see. Did you have any other authority from these individuals than merely to provide a safe place for them to keep the notes and the certificates?

A. Nothing.

On

#### Recross-Examination

the witness testified as follows:

The stock of the Times Mirror Company is owned by 47 or 48 different people. The Chandis Securities Company now owns 1983 shares. I can not state without the stock records what percentage of the total number of shares it owned in 1929 or 1930. It is not a fact that the Chandis Securities Company owns most of the stock of the Times Mirror Company. It does not own a controlling interest in it. The Chandis Securities Company and the Chandler family, the nine petitioners here, own and control a majority of the stock of the Times Mirror Company. A majority of the stock of the Times Mirror Company is owned by the Chandis Securities Company and the Chandler family together.

At this point it was agreed between counsel that a photostat copy of the journal page of Chandis

(Testimony of Horace E. Downing.)

Securities Company, showing the journal entry of April 26, 1930, would be later submitted in evidence in lieu of taking the time to obtain and produce the journal itself at the hearing. Whereupon the petitioners rested and the government rested at 12:45 o'clock p. m. October 5, 1933. [123]

On motion of petitioners' counsel the hearing was reopened at 2:00 o'clock p. m. the same day and Horace E. Downing was recalled as a witness by and on behalf of the petitioners and on

Redirect Examination

testified as follows:

By Mr. MACKAY:

Q. I show you the stock certificate book of the Chandis Securities Company which you have identified heretofore in this case, and I call your attention to Certificates 1 to 28, inclusive, which show a capital stock of \$500,000, having a par value of \$1000 per share.

The MEMBER: And so printed on the certificate.

By Mr. MACKAY:

Q. And it is so printed on the certificate. I will ask you to examine this book and state whether or not the certificates from 29 on contain the same capitalization or if there is a change?

A. There is a change, starting in with Certificate Number 29.

Q. What is that cahnge? Pardon me, go ahead.

A. Running through to certificate 103, and this change is composed of the addition of one cipher to the capital stock.



(Testimony of Horace E. Downing.)

Q. Making it——

A. \$5,000,000.

Q. Instead of?

A. Instead of \$500,000 and no cents, and the addition of one cipher to the share each, with the interposition of a period, making it \$100 a share instead of \$1000.

Q. Mr. Downing, how do you account for the fact that the certificate in the same book are—that the certificates from 29 on are different than prior to 28?

A. That was occasioned by the application of economy, and it was occasioned, or, rather, it was arrived at, as I say, by the addition of ciphers and the putting in of [124] *of* commas and periods.

Q. Do you call that an overprint?

A. That is what we call an overprint, yes.

Q. Do you know when that was done?

A. I cannot tell you definitely. It was just a part of the mechanics and I cannot tell you when it was done definitely.

Q. And this is the book you had in your hands previously when you testified it represented the books of the Chandis Securities Company?

A. Yes.

Q. From which you issued the shares in January, 1930, and also in May, 1930, the original stock of the Chandis Securities Company?

A. Yes.

Mr. MACKAY: That is all.

(Testimony of Horace E. Downing.)

Cross Examination.

By Mr. LEMING:

Q. In other words, you had new certificates printed; is that right?

A. No, sir.

Q. All right. What did you have printed? Let us use the work "print." I assume there was a print by a printing press, was there not?

A. There was not.

Q. How was it done?

A. Pen and ink.

Q. Who did it with a pen and ink?

A. That was done by the job department of our institution.

Q. Let us see. Show me one in pen and ink.

A. That cipher is put in there in ink. [125]

Q. That says \$500,000 capitalization, doesn't it?

A. No; it says \$5,000,000 capitalization.

Q. Which one was put in there by pen and ink?

A. The final cipher, right here (indicating).

Q. Who did that, you say?

A. It was done in our job department of the Times Mirror Company.

Q. You mean they have somebody in the printing office there who, instead of using type, takes a pen and ink, and does these things?

A. I do not know that they have anybody who does it that way, as a general rule, but it was done in this instance.

(Testimony of Horace E. Downing.)

Q. Did you do it?

A. No, sir.

Q. Did you see it done?

A. No, sir.

Q. You do not know when it was done?

A. No, I do not. I cannot tell you precisely.

Q. I want to ask you again if you did not tell Mr. Donnally that it was not done in 1929, and that is the reason there was a delay in the mechanics of issuing these certificates?

A. I have no recollection of that conversation with Mr. Donnally.

Q. Do you know whether this was done in 1929 or 1930?

A. I do not.

Q. You would not undertake to say whether it was done in 1929 or 1930.

A. I would not.

Q. But it had to be done before you issued the certificates; is that right?

A. Yes, sir. [126]

Q. When you say this was done in the job department of the Times Mirror Company, you have reference to the news company, that is the corporation which publishes the Times?

A. I have.

The foregoing evidence is all of the material evidence adduced at the hearing before the Board of Tax Appeals, and the same is approved by the undersigned, Herman Oliphant, General Counsel for

the Department of the Treasury, as attorney for the Commissioner of Internal Revenue.

(Signed) HERMAN OLIPHANT

General Counsel for the Department  
of the Treasury.

The foregoing evidence is all of the material evidence adduced at the hearing before the Board of Tax Appeals, and the same is approved by the undersigned, as attorney for the respondent on review.

.....

The foregoing is all of the material evidence adduced at the hearing and is duly approved and settled this.....day of.....1936.

.....

Member, United States Board  
of Tax Appeals.

Approved and ordered filed this 16th day of April, 1936.

(Sgd) ERNEST H. VAN FOSSAN

Member.

[Endorsed]: Filed Apr. 16, 1936. [127]

\_\_\_\_\_





\$424 36 1/4

On or before this (5) years  
Sanctified Co. promises to pay to Marion Olin Chandler or order at

San Angeles, Cal

the sum of nine hundred twenty four thousand three hundred and thirty six and one quarter Dollars  
with interest at the rate of five percent per annum from  
date until paid, interest payable ~~to be compounded~~ <sup>per annum</sup> ~~and should the interest not be paid by~~ <sup>and should the interest not be paid by</sup>  
rate of interest as the principal, and should the interest not be paid by ~~and should the interest not be paid by~~  
then the whole sum of principal and interest shall become immediately due and  
payable at the option of the holder of this note. Principal and interest payable in  
gold coin of the United States.

Witness my hand

Chadwick Securities Company  
BY Henry Charles Bess.  
BY Marion Olin Chandler Sec'y.





\$44373<sup>94</sup>

San Angeles, Cal Dec 31, 1923.

Dear Sirs: We have (S) your order after date for value received Charles  
Serrano. Ed promises to pay to Marion Otis (Serrano) order at  
San Angeles, Cal  
the sum of Forty four thousand three hundred and thirty four Dollars  
with interest at the rate of five percent per annum from the date  
date until paid, interest payable and if not so paid  
to be compounded and should the interest not be paid  
rate of interest as the principal; and should the interest not be paid  
then the whole sum of principal and interest shall become immediately due and  
payable at the option of the holder of this note. Principal and interest payable in  
gold coin of the United States

THE SECURITIES COMPANY OF PRINCIPAL AND INTEREST

Charles Serrano's Company  
Otis Serrano  
Pres.



## Endorsements.

	Principal Interest
Oct. 13, 1924	13,596.05

Above endorsement due to reduction of the Harry Chandler note because of erroneous credit of \$150,-211.60 to the Harry Chandler account, the above sum of \$13,596.05 being this note's proportion thereof. See Journal 7-2 to 7-12 inclusive. [130]

\$ 150,495.34

LOS ANGELES CAPITAL OR PRINCIPAL

December 31, 1924

On or before four years after date, for value received GRANDIS SECURITIES COMPANY promise to pay to MORGAN CO'S CHASEMAN or order at

Los Angeles, California

the sum of ONE HUNDRED THIRTY TWO THOUSAND FOUR HUNDRED NINETY FIVE and 34/100 Dollars

with interest at the rate of ~~14~~ 10 per cent per annum from

date, until paid, interest payable ~~annually~~ and if not so paid to

be compounded ~~THE RECEIVED INTEREST TO~~ ~~known~~ and bear the same

rate of interest as the ~~principles~~ and should the interest not be paid

then the whole sum of principal and interest shall become immediately due and

payable at the option of the holder of this note. Principal and interest payable in

gold coin of the United States.

GRANDIS SECURITIES COMPANY

Attn: Thos. Chasman

By Maria Otto Chasman Sec'y





\$2142.72<sup>29</sup>  
 On or before line (5) years after date, for value received of Santa Fe Southern Col. promises to pay to Santa Fe Southern Col. or order at San Angeles, Cal.  
 the sum of two hundred forty two and seventy two <sup>29</sup>/<sub>100</sub> Dollars with interest at the rate of <sup>5</sup>/<sub>100</sub> per cent per annum from date until paid, interest payable and if not so paid to be compounded <sup>THIRTY</sup> COMPANY, and bear the same rate of interest as the principal; and should the interest not be paid then the whole sum of principal and interest shall become immediately due and payable at the option of the holder of this note. Principal and interest payable in gold coin of the United States.

CHAS. E. COMPANY  
 Attest Charles E. Company  
 BY Martin Otto & Handel Soc'y.







87765

San Francisco, Cal. after date for value received. Chandler's Co. promises to pay to the order of the order at

the sum of Five Dollars

with interest at the rate of Five percent per annum

date until paid, interest payable Monthly

to be compounded Monthly and if not so paid

rate of interest as the principal; and should the interest not be paid

then the whole sum of principal and interest shall become immediately due and

payable at the option of the holder of this note. Principal and interest payable in

gold coin of the United States

ACKNOWLEDGED

Chandler's Securities Company  
Secretary  
By Maria Otto Chandler Sec'y.

## Endorsements.

	Principal Interest
Oct. 13, 1924	2,346.94

Above endorsement due to reduction of the Harry Chandler note because of erroneous credit of \$150,-211.60 to the Harry Chandler account the above sum of \$2,346.94 being this note's proportion thereof. See Journal 7-2 to 7-12 incl. [134]

\$26,333.08 .....  
On or before four years .....  
COMPANY promise to pay to FRANCIS CHANDLER SECURITIES  
Los Angeles California ..... or order at  
the sum of ~~Twenty Six Thousand Three Hundred~~ <sup>Settlement</sup> ~~thirty-three and one~~ <sup>1929</sup> ~~hundred~~ Dollars  
with interest ~~at the rate of~~ <sup>per cent per annum</sup> ~~five~~ <sup>Annually</sup> from  
date, until paid ~~interest payable~~ <sup>Annually</sup> and if not so paid to  
be compounded ~~annually~~ <sup>Annually</sup>, and bear the same  
rate of interest as the ~~principal~~ <sup>principal</sup>, and should ~~the~~ <sup>the</sup> interest not be paid .....  
then the whole sum of ~~principal and interest~~ <sup>principal and interest</sup> shall become immediately due and  
payable at the option of the holder of this note. Principal and interest payable in  
gold coin of the United States.

FRANCIS SECURITIES COMPANY  
By *Henry C. Howell* Pres.  
By *Marion Otis Chandler* Secy

NOTE—Mortgage—Wolcott's Min. Blank 1442





29

\$2142.29

San Antonio, Tex. (S) 1923

San Antonio, Tex. Dec 31 1923

after date, for value received Chas. H. H. H. or order at

the sum of two hundred and twenty two and six tenths Dollars

with interest at the rate of five percent per annum from

date until paid, interest payable monthly and if not so paid

to be compounded annually and bear the same

rate of interest as the principal and should the interest not be paid

then the whole sum of principal and interest shall become immediately due and

payable at the option of the holder of this note of principal and interest payable in

gold coin of the United States.

ACKNOWLEDGED

W. H. H. H. Co. Pres.

Chas. H. H. H.

BY W. H. H. H. Secy







44

\$776.5

Sas. Bonded Co. Cal. Dec. 31 1928

Security Co. promises to pay to Wm. H. Bonded Co. or order at San Francisco Cal.

the sum of Seven hundred and thirty six and 1/2 Dollars

with interest at the rate of 5 per cent per annum

date until paid, interest payable monthly

to be compounded yearly and if not so paid

rate of interest as the principal, and should the interest not be paid

then the whole sum of principal and interest shall become immediately due and

payable at the option of the holder of this note. Principal and interest payable in

gold coin of the United States.

ACKNOWLEDGED

Chandis Securities Company

Wm. H. Bonded Co.

BY Marion Otto Chandis Pres



## Endorsements.

	Principal Interest
Oct. 13, 1924	2,346.94

Above endorsement due to reduction of the Harry Chandler note because of erroneous credit of \$150,-211.60 to the Harry Chandler account, the above sum of \$2,346.94 being this note's proportion thereof. See Journal 7-2 to 7-12 incl. [138]

\$ 25,355.00 .....

LOS ANGELES, CAL. December 31, 1924

On or before four years after date, for value received CHANDLER SECURITIES COMPANY promise to pay to MAY CHANDLER GOODALE or order at

Los Angeles, California, SHANKS OF PRINCIPAL HEREBY

the sum of TWENTY-SIX THOUSAND THREE HUNDRED THIRTY-THREE and 08/100 Dollars

with interest at the rate of FIVE per cent per annum from date, until paid, interest payable IN FULL Annually December 31st if not so paid to be compounded Annually IN FULL Annually

rate of interest on the principal and should the interest not be paid

then the whole sum of principal and interest shall become immediately due and payable at the option of the holder of this note. Principal and interest payable in gold coin of the United States.

ACKNOWLEDGED

CHANDLER SECURITIES COMPANY

By *May Chandler Goodale* Pres.

By *May Chandler Goodale* Sec'y.





140

\$1443.71

S. Angeles, Cal. Dec. 31 1923

On or before five (5) days after date, for value received Chandis  
Securities Co. promises to pay to Bank of California or order at  
S. Angeles, Cal.  
 the sum of One thousand four hundred and thirty seven Dollars  
 with interest at the rate of Five per cent per annum from  
 date until paid, interest payable monthly and if not so paid  
 to be compounded annually, and bear the same  
 rate of interest as the principals and should the interest not be paid  
 then the whole sum of principal and interest shall become immediately due and  
 payable at the option of the holder of this note of principal and interest payable in  
gold coin of the United States.

Chandis Securities Company  
of S. Angeles, Cal. Pros.  
By Marion O. Khamelley Sec'y.





February 4, 1928

For value received, I, Frank X. Pfaffinger, Trustee for Helen Chandler, do hereby transfer, assign and set over to Helen Chandler, all my right, title and interest in, to and under this promissory note, without recourse.

FRANK X. PFAFFINGER,  
Trustee for Helen Chandler. [141]

\$776.54  
 On or before five (5) years after date, for value received Charles  
 Semetia Co. promises to pay to the order of the Santa Ana Fund or order at  
 Los Angeles, Cal.  
 the sum of Seven hundred and fifty six and 54/100 Dollars  
 with interest at the rate of five per cent per annum from  
 date until paid, interest payable quarterly and if not so paid  
 to be compounded annually, and bear the same  
 rate of interest as the principal; and should the interest not be paid  
 then the whole sum of principal and interest shall become immediately due and  
 payable at the option of the holder of this note. Principal and interest payable in  
 gold coin of the United States

Charles Semetia Company  
 Attny Charles Semetia & Pros.  
 By Manual C. Semetia Secy.



February 4, 1928

For value received, I, Frank X. Pfaffinger, Trustee for Helen Chandler, do hereby transfer, assign and set over to Helen Chandler, all my right, title and interest in, to and under this promissory note, without recourse.

FRANK X. PFAFFINGER,  
Trustee for Helen Chandler.

Endorsements.

	Principal Interest
Oct. 13, 1924	2,346.94

Above endorsement due to reduction of the Harry Chandler note because of erroneous credit of \$150,-211.60 to the Harry Chandler account, the above sum of \$2,346.94 being this note's proportion thereof. See Journal 7-2 to 7-12 inclusive. [143]



\$ 26,355.08 ..... **LOS ANGELES, CAL.: December 31, 1924**

On or before four years ..... after date, for value received **CHANDIS SECURITIES**

**COMPANY** promise to pay to **F. K. RAFFENGER, Trustee for EDEEN CHANDLER** or order at

**Los Angeles, California**

the sum of **THIRTY-NINE THOUSAND THREE HUNDRED THIRTY-THREE and 08/100** Dollars

with interest at the rate of **Five** per cent per **Annua** from

date, until paid, interest payable **Annua** and if not so paid to

be compounded **Annua**, and bear the same

rate of interest as the principal and should the interest not be paid

then the whole sum of principal and interest shall become immediately due and

payable at the option of the holder of this note. Principal and interest payable in

gold coin of the United States.

51

**CHANDIS SECURITIES COMPANY**

**Harry Chandler** Pres.

**By Marion C. Chandler** Sec'y



February 4, 1928

For value received, I, Frank X. Pfaffinger, Trustee for Helen Chandler, do hereby transfer, assign, and set over to Helen Chandler, all my right, title and interest in, to and under this promissory note, without recourse.

FRANK X. PFAFFINGER,  
Trustee for Helen Chandler. [145]

\$1443.71

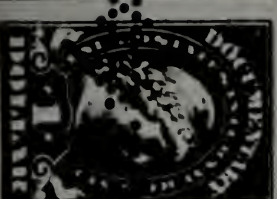
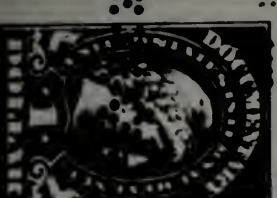
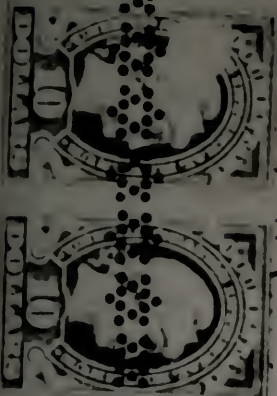
46

San Francisco, Cal. Dec 31 1923.

Whereas we (S) have suffered, for value received, to execute a promissory note to the order of J. H. Hinder, Treasurer of the United States, for the sum of One hundred and forty four hundred and thirty one and 46/100 Dollars with interest at the rate of three per cent per annum, and if not so paid to be compounded, and bear the same rate of interest as the principal, and should the interest not be paid then the whole sum of principal and interest shall become immediately due and payable at the option of the holder of this note. Principal and interest payable in gold coin of the United States.

THIS NOTE IS  
HEREBY ACKNOWLEDGED

Chadwick Securities Company  
Solely  
BY Manifest Oil & Chemical Co. Inc.  
Solely



February 4, 1928

For value received, I, Frank X. Pfaffinger, Trustee for Philip Chandler, do hereby transfer, assign and set over to Philip Chandler, all my right, title and interest in, to and under this promissory note, without recourse.

FRANK X. PFAFFINGER,  
Trustee for Philip Chandler. [147]







February 4, 1928

For value received, I, Frank X. Pfaffinger, Trustee for Philip Chandler, do hereby transfer, assign and set over to Philip Chandler, all my right, title and interest in, to and under this promissory note, without recourse.

FRANK X. PFAFFINGER,  
Trustee for Philip Chandler.

Endorsements.

	Principal Interest
Oct. 13, 1924	2,346.94

Above endorsement due to reduction of the Harry Chandler note because of erroneous credit of \$150,-211.60 to the Harry Chandler account, the above sum of \$2,346.94 being this note's proportion thereof. See Journal 7-2 to 7-12 inclusive. [149]

CHANDIS

Los Angeles - California

cent per



Interest shall become immediate

**AMERICAN SECURITY SERVICES COMPANY**

31

**360.7.**

February 4, 1928

For value received, I, Frank X. Pfaffinger, Trustee for Philip Chandler, do hereby transfer, assign and set over to Philip Chandler, all my right, title and interest in, to and under this promissory note, without recourse.

FRANK X. PFAFFINGER,  
Trustee for Philip Chandler. [151]









Los Angeles Cal 95 31 7923

after ~~above~~ <sup>the</sup> value received of London

1930  
STOCK  
IN  
INT  
OWN

per capo per

5300  
W. 10th St.  
Wichita, Kan.

capital and interest may be con-

Chandis Se

*corn of the United States.*

Chandis Securities Company

Wm. C. Hoeltz

BY Martha Otto Handlen 900'Y.

TE--Mortgage--Wolcott's Mis. Blank 1442



## Endorsements.

	Principal Interest
Oct. 13, 1924	2,346.94

Above endorsement due to reduction of the Harry Chandler note because of erroneous credit of \$150,-211.60 to the Harry Chandler account, the above sum of \$2,346.94 being this note's proportion thereof. See Journal J-2 to J-12 incl. [154]

\$26,335.08

On or before four years

COMPANY promise to pay to

Los Angeles, California

the sum of ~~Twenty-Six Thousand Three Hundred Forty-Three and 08/100~~ Dollars

with interest at the rate of ~~Five~~ percent per ~~Annua~~ from

date, until paid, interest payable ~~Annua~~ and if not so paid to

be compounded ~~Annua~~, and bear the same

rate of interest as the principal and should the interest not be paid

then the whole sum of principal and interest shall become immediately due and

payable at the option of the holder of this note. Principal and interest payable in

gold coin of the United States.

LOS ANGELES, CALIF., December 31, 1924.

after date, for value received CHANDIS SECURITIES

ROTH CANDLER WILLIAMSON or order at

Los Angeles, California

the sum of ~~Twenty-Six Thousand Three Hundred Forty-Three and 08/100~~ Dollars

with interest at the rate of ~~Five~~ percent per ~~Annua~~ from

date, until paid, interest payable ~~Annua~~ and if not so paid to

be compounded ~~Annua~~, and bear the same

rate of interest as the principal and should the interest not be paid

then the whole sum of principal and interest shall become immediately due and

payable at the option of the holder of this note. Principal and interest payable in

gold coin of the United States.

CHANDIS SECURITIES COMPANY

Wm. Candler, Pres.

BY Paul C. Williams Sec'y





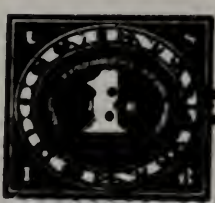
\$1443.11

Los Angeles Cal Dec 31 1923.

Can ex before (5) years after date for value received (Chandler) promises to pay to ~~Henry Chandler~~ or order at Los Angeles Cal the sum of One hundred forty four thousand three hundred and seventy one 46 Dollars with interest at the rate of 10 percent per annum from date until paid, interest payable and if not so paid to be compounded ~~January 1st 1924~~ and bear the same rate of interest as the principal, and should the interest not be paid then the whole sum of principal and interest shall become immediately due and payable at the option of the holder of this note. Principal and interest payable in gold coin of the United States.

Henry Chandler

By Nathan Attin Chandler 90017.



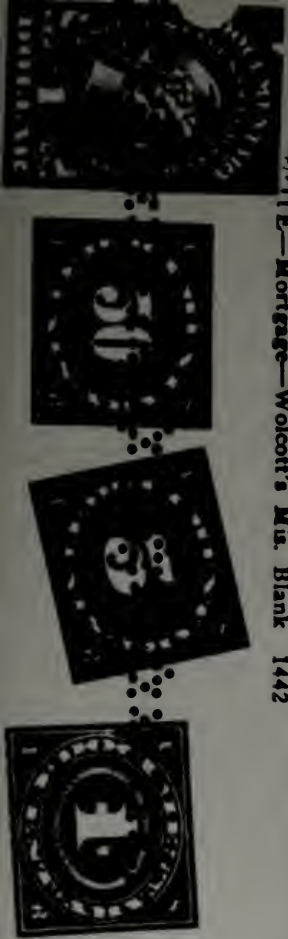




\$ 765<sup>44</sup> Los Angeles Cal Dec 31 1923  
On or before five (5) years after date for value received Chandra  
Securities Co promises to pay to Messrs. Chandra & Co or order at  
San Angeles, Cal.  
the sum of Seven thousand and no/100<sup>30</sup> Dollars  
with interest at the rate of four per cent per annum from  
date until paid, interest payable monthly and if not so paid  
to be compounded annually and bear the same  
rate of interest as the principal; and should the interest not be paid  
then the whole sum of principal and interest shall become immediately due and  
payable at the option of the holder of this note. Principal and interest payable in  
gold coin of the United States.

Chandra Securities Company  
Stanley Shocell  
BY M. A. Standen 900137

NOTE—Mortgage—Wolcott's Mtr. Blank 1442





## Endorsements.

	Principal Interest
Oct. 13, 1924	2,346.94

Above endorsement due to reduction of the Harry Chandler note because of erroneous credit of \$150,-211.60 to the Harry Chandler account, the above sum of \$2,346.94 being this note's proportion thereof. See Journal 7-2 to 7-12 inclusive. [158]

\$ 26,355.00

On or before four years

Company promise to pay to

Los Angeles, California.

the sum of Twenty Six Thousand Three Hundred Thirty Four and 00/100 Dollars

with interest at the rate of five percent per annum from

date, until paid, interest payable

be compounded

rate of interest as the principal and should the interest not be paid

then the whole sum of principal and interest shall become immediately due and

payable at the option of the holder of this note. Principal and interest payable in

gold coin of the United States.

LOS ANGELES, CAL., December 31, 1924

After date for value received

HANDS OF CHANDLER

INTEREST ACCRUED

HEREBY ACKNOWLEDGED

per cent per annum

and if not so paid to

from

and bear the same

and if not so paid to

from

and bear the same

and if not so paid to

from

and bear the same

*[Signature]*

CHANDLER SECURITIES COMPANY

*[Signature]*

By *[Signature]* Vice President





\$1443.71<sup>45</sup>

San Angeles, Cal, Dec 31, 1923.

On or before Jan (5) 1924 after date for value received Chas. A. Servatius Co. promises to pay to Santa Ana Chas. A. Servatius Co. or order at San Angeles, Cal.

the sum of One thousand four hundred and five hundred and 71/100 Dollars with interest at the rate of six percent per annum from date until paid, interest payable at the rate of six percent per annum and if not so paid to be compounded and bear the same rate of interest as the principal and should the interest not be paid then the whole sum of principal and interest shall become immediately due and payable at the option of the holder of this note. Principal and interest payable in gold coin of the United States.

CHAS. A. SERVATIUS COMPANY  
By *Chas. A. Servatius* Pres.  
By *Wm. A. Chas. A. Servatius* Sec'y.







\$7765 <sup>45</sup>

Los Angeles, Cal. Dec. 31. 1923

On or before five (5) years after date, for value received *Grandis*  
*San Antonio, Cal.* promises to pay to *Grandis* or order at  
 the sum of *Seven thousand seven hundred and fifty* Dollars  
 with interest at the rate of *four* per cent per annum from  
 date until paid, interest payable *monthly* and if not so paid  
 to be compounded *quarterly*, and bear the same  
 rate of interest as the principal, and should the interest not be paid  
 then the whole sum of principal and interest shall become immediately due and  
 payable at the option of the holder of this note. Principal and interest payable in  
 gold coin of the United States.

*Grandis Building Company*  
*Attny General*  
*BY Maria O. O'Hanlon Sec'y.*



## Endorsements.

	Principal Interest
Oct. 13, 1924	\$2,346.94

Above endorsement due to reduction of the Harry Chandler note because of erroneous credit of \$150,-211.60 to the Harry Chandler account, the above sum of \$2,346.94 being this note's proportion thereof. See Journal 7-2 to 7-12 incl. [162]

163

\$ 25,333.09 ..... LOS ANGELES, CAL., December 31, 1924..

On or before four years ..... after date, for value received CHANDIS SECURITIES COMPANY promise to pay to ..... CONSTANCE CHANDIS or order at

Los Angeles, California ..... OF CHANDIS

the sum of TWENTY-SIX THOUSAND THREE HUNDRED AND NO 100 Dollars with interest at the rate of FIVE per cent per annum from

date, until paid, interest payable ACCRUED, and bear the same be compounded

rate of interest as the principal; and should the interest not be paid

then the whole sum of principal and interest shall become immediately due and payable at the option of the holder of this note principal and interest payable in

gold coin of the United States.

CHANDIS SECURITIES COMPANY  
Harry Chandler Pres.  
By Maud Carter Chandler Secy





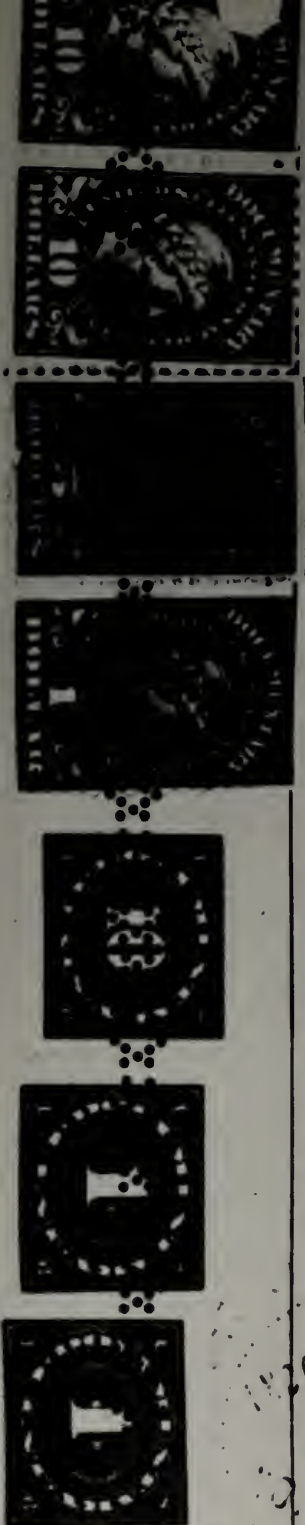
\$130545

1

Sea Annapolis 31 Dec 1923

On or before five (5) years after date of date received of the  
Debitaria Co. promises to pay to None or order at  
Sea Annapolis, Cal. None or order at  
the sum of One hundred thirty thousand five hundred and no/100 Dollars  
with interest at the rate of 2% per annum from the date until paid, interest payable  
to be compounded None and if not so paid  
rate of interest as the principal and should the interest not be paid  
then the whole sum of principal and interest shall become immediately due and  
payable at the option of the holder of this note principal and interest payable in  
gold coin of the United States.

Chadis Securities Company  
By Mary J. Macmillan Secy.  
By Mauda Ottis Chandler Secy.



4.37





87765

Se. Anzahl der 31/1923

Under the provisions of the act of March 3, 1879, after the receipt of the amount of the subscription to the National Academy of Sciences, the Secretary of the Interior is authorized to order the purchase of the land at Los Angeles, Cal.

the sum of Seven Hundred and Sixty & no/100 Dollars  
with interest at the rate of Five per cent per annum  
date until paid, interest payable Quarterly from  
and if not so paid

to be compounded ..... and hear the same

rate of interest as the principal, and should the interest not be paid

then the whole sum of principal and interest shall become immediately due and

payable at the option of the holder of this mfd. Principal and interest payable in

gold coin of the United States.

*Their lives compared*

[illegible]

Charles Secor & Co. Secor & Co.  
17 Main St. Portland, Me.



## Endorsements.

	Principal Interest
Oct. 13, 1924	2,346.94

Above endorsement due to reduction of the Harry Chandler note because of erroneous credit of \$150,-211.60 to the Harry Chandler account, the above sum of \$2,346.94 being this note's proportion thereof. See Journal 7-2 to 7-12 incl. [166]

5.26,253.00 .....  
On or before four years .....  
COMPANY promise to pay to J. MORAN GUARDIA after CHANDLER has received CHANDLER'S SECURITIES  
the sum of TWENTY-SIX THOUSAND THREE HUNDRED SIXTY-THREE and 00/100 Dollars for or order at  
with interest at the rate of FIVE PER CENT IN ALL SEASONS TO BE PAID  
date, until paid, interest payable MONTHLY ACCRUE INTEREST FROM  
be compounded ..... and if not so paid to  
rate of interest as the principal; and should the interest not be paid ..... and bear the same  
then the whole sum of principal and interest shall become immediately due and  
payable at the option of the holder of this Note. Principal and interest payable in  
gold coin of the United States. 57

CHANDLER SECURITIES COMPANY  
Stanley Chaswell PRES  
BY William Otto Chandler Sec'y





168

Certificate

No. 29

-14,721- Shares

Issued to

Marian Otis Chandler

Jan. 1, 1930

Transferred from

New Jersey

Original Certificate	No. of Shares Transferred
19	19

29

14,721 Shares

28th day of May, 1930

Marian Otis Chandler



# Chandia Securities Company

CAPITAL STOCK \$500,000.000

Received by  
exp. 1855 sent to  
Marian Otis Chandler

THIS CERTIFIES THAT

MARIAN OTIS CHANDLER is the owner of

FOURTEEN THOUSAND SEVEN HUNDRED TWENTY ONE Shares of the Capital Stock of

**Chandia Securities Company**

transferable only on the Books of the Corporation in person or by Attorney on surrender of this Certificate.

We, the undersigned, the duly authorized officers of the Corporation have hereunto subscribed our names and caused the corporate seal to be hereunto affixed

this 28 day of JANUARY A.D. 1930



Marian Otis Chandler  
SECRETARY

*Samy Chaubey*  
PRESIDENT

**SHARES**

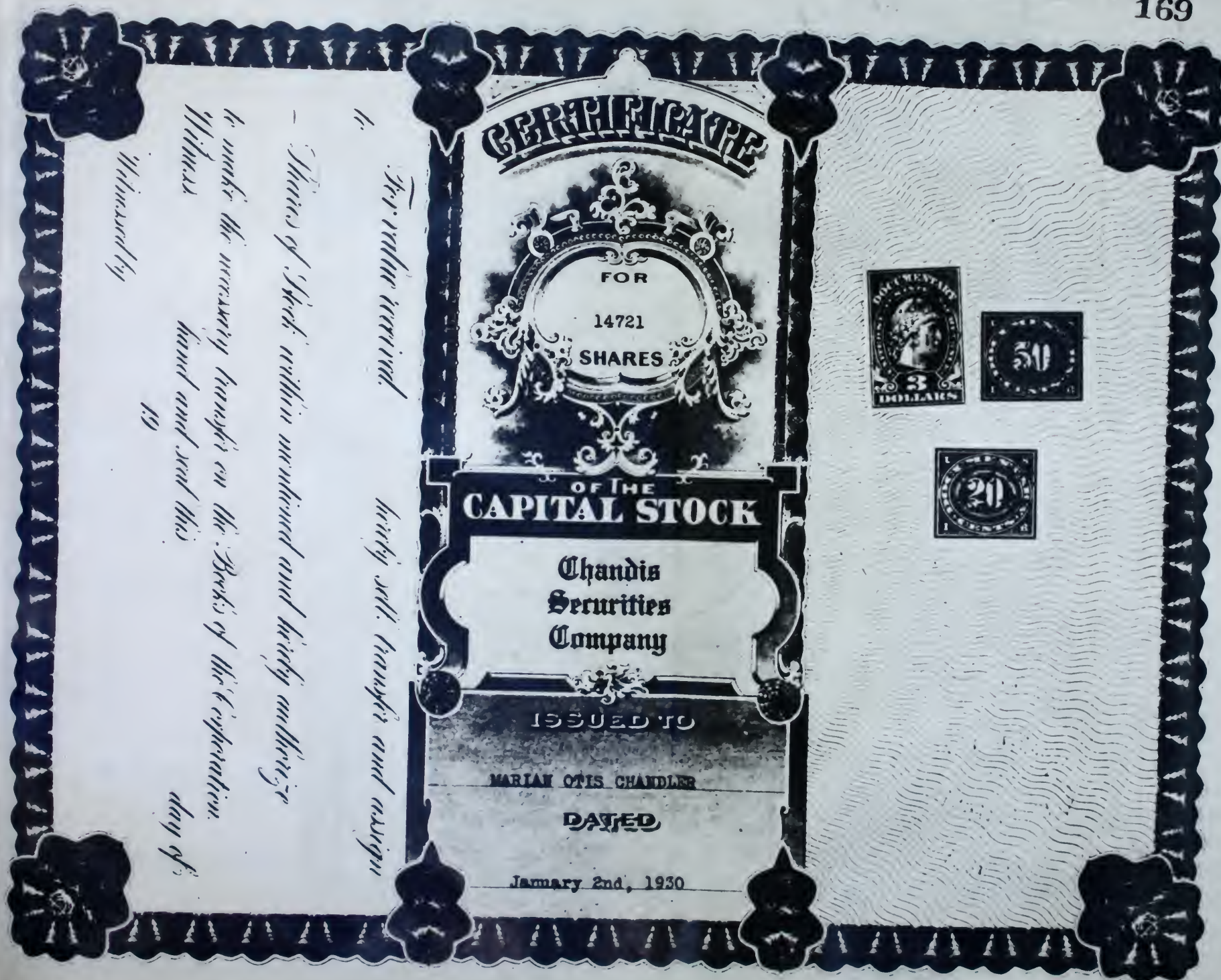
**\$10000**

**EACH**





169





170

Certificate

No. 30

—3281— Shares

Issued to

Francis C. Kirkpatrick

date Jan. 2, 1930

Transferred from

New Jersey

19

Original Certificate	Not Original Shares	No. of Shares Transferred

VED CERTIFICATE NO. 30

3,281

Shares

28th day of May, 1930

Francis C. Kirkpatrick

THIS CERTIFIES THAT

FRANCIS C. KIRKPATRICK

owner of THREE THOUSAND TWO HUNDRED EIGHTY

Shares of the Capital Stock of  
Charles F. Smith Companytransferrable only on the Books of the Corporation in person  
or Attorney or surrender of this Certificate

JANUARY

1930

SHARES

EACH



[Reverse of Stock Certificate No. 30.]

Certificate for 3281 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Franceska C. Kirkpatrick.

Dated January 2, 1930.

For value received.....hereby sell, trans-  
fer and assign to.....

.....  
Shares of Stock within mentioned and hereby au-  
thorize..... to make  
the necessary transfer on the Books of the Corpora-  
tion.

Witness.....hand and seal this.....  
day of....., 19.....

FRANCESKA C. KIRKPATRICK.

Witnessed by

MARIAN OTIS CHANDLER.

[Revenue Stamps for the amount of \$177.74  
attached.] [171]



Certificate  
No. 31  
— 3281 — Shares  
Issued to  
May C. Goodson  
date June 1930  
Transferred from  
New Deane  
date 19  
Original Certificate No. 31  
3,281 Shares  
29th day of May, 1930  
May C. Goodson

**Chandis Securities Company**  
CAPITAL STOCK \$500,000.00

**THIS CERTIFIES THAT** MAY C. GOODSON is the  
owner of THREE THOUSAND TWO HUNDRED EIGHTY ONE Shares of the Capital Stock of  
**Chandis Securities Company**  
transferable only on the books of the Corporation in person  
or by Attorney on surrender of this Certificate.  
James M. Merritt, the duly authorized officers of the Corporation, have hereunto  
subscribed and caused the corporate seal to be hereunto  
this 29th day of JANUARY A.D. 1930  
James M. Merritt  
President

**CHANDIS SECURITIES COMPANY**  
INCORPORATED IN THE STATE OF NEW YORK  
2 FLOOR



[Reverse of Stock Certificate No. 31.]

Dated January 2nd, 1930.

For value received.....hereby sell, transfer and assign to.....

.....  
Shares of Stock within mentioned and hereby authorize..... to make the necessary transfer on the Books of the Corporation.

Witness.....hand and seal this.....  
day of....., 19.....

MAY C. GOODAN.

Witnessed by

MARIAN OTIS CHANDLER.

[Revenue Stamps for the amount of \$182.79  
attached.] [173]

[Printer's Note: Balance of information obliterated by stamps.]



Certificate

No. 32

— 2344 — Shares

Issued to  
Helen Chandler

to Jan. 1, 1930  
Transferred from  
New Jersey

Original Title	Not Original Shares	No. of Shares Transferred
		19

CERTIFICATE NO. 32  
2,344 Shares

18th day of May, 1930

Helen Chandler



## Chandia Securities Company

CAPITAL STOCK

THIS CERTIFIES THAT

HELEN CHANDLER is the owner of TWO THOUSAND THREE HUNDRED FORTY FOUR Shares of the Capital Stock of

Chandia Securities Company

transferable only on the Books of the Corporation in person or by Attorney on surrender of this Certificate.

In Witness Whereof, the duly authorized officers of this Corporation have hereunto subscribed their names and caused the corporate Seal to be hereunto affixed this 2ND day of JANUARY A.D. 1930



Marian O. Chandler

Mary Chandler

PRESIDENT

**SHARES**

**\$10000**

**EACH**



[Reverse of Stock Certificate No. 32.]

Certificate for 2344 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Helen Chandler.

Dated January 2nd, 1930.

For value received.....hereby sell, trans-  
fer and assign to.....

.....  
Shares of Stock within mentioned and hereby au-  
thorize..... to make  
the necessary transfer on the Books of the Corpora-  
tion.

Witness.....hand and seal this.....  
day of....., 19.....

.....  
Witnessed by  
.....

[Revenue Stamps for the amount of \$117.20  
attached.] [175]



Certificate

33

— 7344 — Shares

Issued to

Philip Chandler

Jan. 21, 1930

Transferred from

Two Shares

19

Original Title	Not Original Shares	No. of Shares Transferred
		19

CERTIFICATE NO. 33

2,344 Shares

day of May, 1930

Philip Chandler





215

[Reverse of Stock Certificate No. 33.]

Certificate for 2159 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Norman Chandler.

Dated January 2, 1930.

For value received.....hereby sell, trans-  
fer and assign to.....

.....  
Shares of Stock within mentioned and hereby au-  
thorize..... to make  
the necessary transfer on the Books of the Corpora-  
tion.

Witness.....hand and seal this.....  
day of....., 19.....

.....  
Witnessed by

.....  
[Revenue Stamps for the amount of \$107.95  
attached.] [177]

Certificate

No. 34

2344 Shares

Issued to

Ruth C. Williamson

Jan. 2. 1930

Transferred from

New Issue

19  
No. of Shares  
Transferred

CERTIFICATE NO. 34

2,344 Shares

day of May, 1930

R. Williamson

INCORPORATED UNDER THE LAWS OF THE STATE OF CALIFORNIA





# Chandis Securities Company

CAPITAL STOCK \$500,000.000

**THIS CERTIFIES THAT** RUTH C WILLIAMSON is the  
owner of TWO TWO USAND THREE HUNDRED FORTY FOUR Shares of the Capital Stock of  
**Chandis Securities Company**  
transferable only on the Books of the Corporation in person  
or by Attorney on surrender of this Certificate.

**In Witness Whereof**, the duly authorized officers of this Corporation have hereunto  
subscribed their names and caused the corporate seal to be hereunto affixed  
this 2ND day of JANUARY, 1930



Marian Otis Chandler  
SECRETARY

Verny Chandler  
PRESIDENT

**SHARES**  
**\$100.00**  
**EACH**



[Reverse of Stock Certificate No. 34.]

Certificate for 2344 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Ruth C. Williamson.

Dated January 2, 1930.

For value received.....hereby sell, trans-  
fer and assign to.....

.....  
Shares of Stock within mentioned and hereby au-  
thorize..... to make  
the necessary transfer on the Books of the Corpora-  
tion.

Witness.....hand and seal this.....  
day of....., 19.....

.....  
Witnessed by

.....  
[Revenue Stamps for the amount of \$117.20  
attached.] [179]



Certificate

35

Shares

Issued to

Harrison G. Chandler

Jan. 1, 1930

Transferred from

Haw Lane

mat Nothingmat No. of Shares  
sub Shares Transferred

VED CERTIFICATE NO. 35

2,344

Shares

28th day of May, 1930

H. G. Chandler



[Reverse of Stock Certificate No. 35.]

Certificate for 2344 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Harrison G. Chandler.

Dated January 2, 1930.

For value received.....hereby sell, transfer and assign to.....

.....  
Shares of Stock within mentioned and hereby authorize..... to make the necessary transfer on the Books of the Corporation.

Witness.....hand and seal this.....  
day of....., 19.....

.....  
Witnessed by

.....  
[Revenue Stamps for the amount of \$117.20  
attached.] [181]



Certificate

No. 36

2344 Shares

Issued to  
Constance Chandler

Jan. 2, 1930

Transferred from  
New Issue

	19
Initial	No. of Shares
date	Transferred
	Shares

CERTIFICATE NO. 36

2,344 Shares

1st day of May, 1930

Constance Chandler

36

**Chandis Securities Company**

CAPITAL STOCK \$500,000.000

**THIS CERTIFIES THAT** CONSTANCE CHANDLER is the owner of TWO THOUSAND THREE HUNDRED FORTY FOUR Shares of the Capital Stock of Chandis Securities Company transferable only on the Books of the Corporation in person or by Attorney on surrender of this Certificate.

**In Witness Whereof**, the duly authorized officers of this Corporation have hereunto subscribed their names and caused the corporate seal hereunto to be hereunto

this 2ND day of JANUARY 1930

Meriam Otis Chandler  
V. M. Chandler  
PRESIDENT

SHARES \$10000 EACH



## [Reverse of Stock Certificate No. 36.]

Certificate for 2344 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Constance Chandler.

Dated January 2, 1930.

For value received.....hereby sell, trans-  
fer and assign to.....

.....  
Shares of Stock within mentioned and hereby au-  
thorize..... to make  
the necessary transfer on the Books of the Corpora-  
tion.

Witness.....hand and seal this.....  
day of....., 19.....

.....  
Witnessed by

.....  
[Revenue Stamps for the amount of \$117.20  
attached.] [183]



*Certificate*

No. 37

2159 Shares  
Issued to  
Norman Chandler

to Jan. 2, 1930  
Transferred from  
New Issue

19  
Original  
Not Original  
No. of Shares  
Transferred

CERTIFICATE NO. 37  
159 Shares  
day of May, 1930

Norman Chandler



# Chandler Securities Company

CAPITAL STOCK \$500,000.000

CANCELLED

THIS CERTIFIES THAT NORMAN CHANDLER is the  
 owner of TWO THOUSAND ONE HUNDRED FIFTY NINE Shares of the Capital Stock of  
 Chandler Securities Company  
 transferable only on the Books of the Corporation in person  
 or by Attorney on surrender of this Certificate.

In Witness Whereof, the duly authorized officers of this Corporation have hereunto  
 set their names and caused the corporate seal to be hereunto affixed  
 this 2ND day of JANUARY, 1930



*Norman Chandler*  
President

*Harry Chandler*  
Vice President

**SHARES**  
**\$10000**  
**EACH**



## [Reverse of Stock Certificate No. 37.]

Certificate for 2159 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Norman Chandler.

Dated January 2, 1930.

For value received.....hereby sell, transfer and assign to.....

.....  
Shares of Stock within mentioned and hereby authorize..... to make the necessary transfer on the Books of the Corporation.

Witness.....hand and seal this.....  
day of....., 19.....

.....  
Witnessed by

.....  
[Revenue Stamps for the amount of \$107.95  
attached. [185]]





*vs. Marian Otis Chandler*

## CHANDIS SECURITIES COMPANY

## BALANCE SHEET

December 31, 1929

## Assets

Real Estate Loans	\$ 258,048.88
Other Loans	1,361,172.75
Bonds	50,616.00
Stocks	3,255,851.06
Sundry Assets	429,207.61
Real Estate	1,051,659.55
	<hr/>
	\$6,406,555.85

## Liabilities

1001 Capital Stock	\$ 500,000.00
1002 Surplus	1,747,885.67
1004 Note Payable—Marian Otis Chandler	1,238,736.96
1006 Note Payable—F. C. Kirkpatrick	287,145.33
1007 Note Payable—May C. Goodan	287,145.33
1008 Note Payable—FXP. Tr. H. Chandler	193,471.58
1009 Note Payable—FXP. Tr. P. Chandler	193,471.58
1010 Note Payable—Ruth C. Williamson	193,471.59
1011 Note Payable—H. G. Chandler	193,471.58
1012 Note Payable—Constance Chandler	193,471.60
1013 Note Payable—Norman Chandler	174,943.89
1014 Note Payable—Marian O. Chandler	41,245.25
1015 Note Payable—Constance Chandler	7,261.31
1016 Note Payable—F. C. Kirkpatrick	7,261.31
1017 Note Payable—H. G. Chandler	7,261.30
1018 Note Payable—FXP. Tr. H. Chandler	7,261.30
1019 Note Payable—FXP. Tr. P. Chandler	7,261.30
1020 Note Payable—Norman Chandler	7,261.30
1021 Note Payable—Ruth C. Williamson	7,261.30
1022 Note Payable—May C. Goodan	7,261.30
1025 Note Payable—Marian O. Chandler	192,074.41
1026 Note Payable—Constance Chandler	33,608.42
1027 Note Payable—F. C. Kirkpatrick	33,608.42
1028 Note Payable—May C. Goodan	33,608.42
1029 Note Payable—Ruth C. Williamson	33,608.42
1030 Note Payable—H. G. Chandler	33,608.42

*Comm. of Internal Revenue*

## CHANDIS SECURITIES COMPANY

## BALANCE SHEET—Cont'd

December 31, 1929

## Liabilities—Cont'd

1031	Note Payable—FXP. Tr. P. Chandler	33,608.42
1032	Note Payable—FXP. Tr. H. Chandler	33,608.42
1033	Note Payable—Norman Chandler	33,608.42
1040	Trust #A-3872	93,735.18
1042	Unaccrued Profit	20,429.66
1043	Advance Rent Collections	3,758.33
1045	Harry Chandler—Personal	54.23
		[186]
1046	The Times-Mirror Company	348.03
1048	Reserve—Depr. Hillhurst House	29,802.37
1049	Reserve—Depr. Hillhurst Furniture	21,229.13
1050	Reserve—Depr. Building, Calipatria	5,568.75
1051	Reserve—Depr. 933 South Olive Street	3,877.65
1052	Reserve—Depr. 926 South Olive Street	4,050.00
1060	Trust #5005—Deferred Credit	172,640.00
1061	Trust #4886—Deferred Credit	21,500.00
1065	Trust #3453—Deferred Credit	5,000.00
1068	Trust #S-5638	74,840.29
1071	F. X. Pfaffinger	325.00
1038	Chanslor-Canfield Midway Oil Co.	372.08
1077	Southern Pacific Company	17,497.44
1084	Reserve for Depreciation A. S. Carr	11,250.00
1090	Wilshire & Westmoreland—Mtg. Payable	100,000.00
1092	Reserve for Depreciation—Cadillac Brougham	735.00
1097	Trust Deed Payable E½ Lot 3, Block A	36,697.23
1098	Reserve for Depreciation 1145 S. Hope	3,705.37
1099	Log Cabin Mining Venture	15,300.00
1100	S. H. Woodruff	267.63
1101	Reserve for Depreciation 127 N. Irving Blvd.	188.39
		<hr/>
		\$6,406,555.85
		<hr/>

[Endorsed]: Filed Oct. 5, 1933. [187]



# Charles Sumner Co. ✓

Journal Entry to Record Increase in Capital  
Stock from 500 shares of 1000 Par Value to 50,000 shares of  
100 Par Value.

Apr 26-30

## ① Capital Stock Issued Capital Stock.

as of Oct 14, 1929  
To record increase in Capital Stock from  
500 shares of 1000 Par Value to 50,000 shares  
of 100 Par Value. See authorization of  
Board of Directors, Page 110 of Minute Book

4500000-

4500000-

## ② Subscriptions to Stock Capital Stock Subscribed.

To record subscriptions to Stock by  
the following people @ 100 Par Value. See

Marian Otis Chandler

F. C. Kirkpatrick

May C. Gooden

Walter Chandler

Philip ✓

Rich C. Williamson

Harrison B. Chandler

Constance Chandler

Norman Chandler

See Incorporating Commissioner's Permit \* L R 26

State Dec 26, 1929

3516700-

3516700-

## ③ Note Payable

subscriptions to Stock

To record part payment for subscriptions  
to Stock by cancellation of following notes (under 2nd interest)  
owing to Subscribers as of Dec. 31, 1929.

Marian Otis Chandler 147201762

F. C. Kirkpatrick 32801506

May C. Gooden 24801505

Walter Chandler 23434130

Philip ✓ 23434130

Rich C. Williamson 23434131

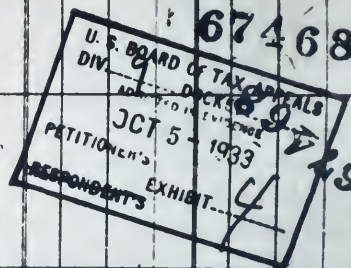
Harrison B. Chandler 23434130

Constance ✓ 23434133

Norman ✓ 21581361

351560688

351560688





④

Cash

Subscriptions to Stock

To record receipt of cash from various subscribers  
in amounts representing the difference between  
the Subscriptions to Capital Stock and the amount of unpaid interest  
of the notes owing to subscribers.

1931

1931

Marion Otis Chandler

# 43.38

F. C. Kirkpatrick

84.94

May C. Gooden

84.95

Helen Chandler

88.70

Philip

58.70

Ruth C. Williamson

58.69

Harmon B. Chandler

58.70

Constance

58.67

Norman

86.39

⑤

Capital Stock Subscribed

3516.00-

Capital Stock Issued

3516.00-

To record issuance of the following  
certificates to the subscribers of  
Capital Stock.

- Name -

Class

Amount

Old stock  
ExchangesNew  
Subscriptionson new stock  
(State Tax)

Marion Otis Chandler

167.21

None

127.1

736.05

F. C. Kirkpatrick

313.1

35.0

328.1

164.05

May C. Gooden

363.1

35.0

328.1

164.05

Helen Chandler

769.4

35.0

234.4

117.20

Philip

769.4

35.0

234.4

117.20

Ruth C. Williamson

769.4

35.0

234.4

117.20

Harmon B. Chandler

769.4

35.0

234.4

117.20

Constance

769.4

35.0

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Norman

250.9

35.0

21.59

107.95

Harry Chandler

-100-

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-

1758.10

U. S. BOARD OF TAX APPEALS  
DIV. 9  
DOCKET  
OCT 5 - 1933  
PETITIONER'S  
RESPONDENT'S

67468

4





100

Chandis Securities Compa

674689  
U.S. DEPT. OF TAX APPEALS  
DIV. 9

DEBIT		CREDIT	
593 10	General Clearing Account	593 12	Subscriptions to Stock
JCT 5 - 1083	To record cash received representing the purchase of a		
EXHIBIT 5	fractional share of new issue (100 <sup>00</sup> Par Value) of Chandis		
DEPENDENT	Securities Co Stock		
44 -	Chandler Kirkpatrick \$4.94, Mary Chandler Gordon \$4.95, Helen		
	Chandler \$8.70, Philip Chandler \$8.70, Ruth Chandler Williamson \$8.70		
	Harrison Gray Chandler \$8.70, Constant Chandler \$8.67, Norman Chandler \$8.70		
	AUT.ORITY		APPROVED FOR ENTRY
	<i>[Signature]</i>		<i>[Signature]</i>

Chandis Securities

Chandis Securities Compa

JOURNAL

May 23, 1930.

196-13

Page 3

Chandis Securities Compa.





198 .  
APR - 1930 DEBIT

JOURNAL

CHANDIS SECURITIES COMPANY

TOTAL		LIABILITIES	ACCOUNT NUMBER	DISTRIBUTION OF ASSET PRINCIPAL						ACCOUNT NUMBER	DISTRIBUTION OF EXPENSE				DISTRIBUTION OF INCOME				FILE NUMBER	ACCOUNT NUMBER	DATE
				REAL ESTATE	CASH	STOCKS	BONDS	OTHER LOANS	D. E. LOANS		RENT	SPECIAL AMOUNTS	TAXES	REPAIRS	INTEREST						
1	119	66000		100	100	600		13691	11000	5	13691										
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Apr 26

1001-A 2 Capital Stock Unissued

3 To record increase in Capital

4 of \$100,000 from 500 shares of

5 1000.00 par value to 60,000 shares of

6 100.00 par value See authorizing

7 of record of transactions on page 110 of the

8 Minute Book

1001-B 10 Subscriptions to Stock

11 To record subscriptions to Stock

12 by the following people: Etc. " " " "

13 Norman E. Chandler 14751

14 J. E. Harkpatrick 3081

15 May E. Gordon 3081

16 Helen Chandler 2384

17 Philip Chandler 2384

18 Ruth E. Williamson 2384

19 Constantine Chandler 2384

20 Norman Chandler 2384

1004 23 Harkpatrick, Norman E. Chandler 20

1014 24 " " " "

1025 25 " " " "

1006 26 J. E. Harkpatrick

1016 27 " " " "

1007 28 " " " "

1007 29 May E. Gordon

1030 30 " " " "

1025 31 " " " "

1008 32 Helen Chandler

1018 33 " " " "

1030 34 " " " "

1009 35 Philip Chandler

1019 36 " " " "

1031 37 " " " "

1010 38 Ruth E. Williamson

1021 39 " " " "

1029 40 " " " "

1011 41 H. E. Chandler

1017 42 " " " "

1030 43 " " " "

1010 44 Constantine Chandler

1018 45 " " " "

1026 46 " " " "

1011 47 Norman Chandler

1020 48 " " " "

1023 49 " " " "

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51 Capital Stock Subscribed

52 Name Age Shares

53 Norman E. Chandler 14751

54 J. E. Harkpatrick 3081

55 May E. Gordon 3081

56 Helen Chandler 2384

Constantine Chandler



APR - 1930 DEBIT

TOTAL		LIABILITIES	ACCOUNT NUMBER	DISTRIBUTION OF ASSET PRINCIPAL						DISTRIBUTION OF EXPENSE						DISTRIBUTION OF INCOME				FILE ACCOUNT NUMBER	DATE
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Certificate

No. 38

— 1000 — Shares  
 Issued to  
 Marian Otis Chandler

May 7, 1930  
 Transferred from  
 Original of "S"

Nov. 23, 1916  
 Not Original  
 Shares  
 200

Vic of Shares  
 Transferred  
 2000

CERTIFICATE NO. 38

2,000 Shares

on May 02 May 1930

Otis Chandler

# Chandis Securities Company

CAPITAL STOCK \$500,000.000

THIS CERTIFIES THAT

owner of TWO THOUSAND

MARIAN OTIS CHANDLER

Petitioner's 5 is the

Shares of the Capital Stock of

Chandis Securities Company

transferable only on the Books of the Corporation in person  
 or by Attorney on surrender of this Certificate.

In Witness Whereof, the duly authorized officers of this Corporation have hereunto  
 subscribed their names and caused the corporate Seal to be hereunto affixed  
 this 7TH day of MAY A.D. 1930

Marian Otis Chandler

Otis Chandler  
 PRESIDENT

SHARES

\$10000

EACH



[Reverse of Stock Certificate No. 38.]

Certificate for 2000 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Marian Otis Chandler

Dated May 7th, 1930.

For value received.....hereby sell, trans-  
fer and assign to.....

.....  
Shares of Stock within mentioned and hereby au-  
thorize..... to make  
the necessary transfer on the Books of the Corpora-  
tion.

Witness.....hand and seal this.....  
day of....., 19.....

.....  
Witnessed by  
.....

[195]



Certificate

No. 39

350 Shares  
Issued to  
Franceska C. Kirkpatrick

May 7, 1930  
Transferred from  
Issue of # 17

At Original Shares	At of Shares Transferred
35	350

Franceska C. Kirkpatrick  
CERTIFICATE NO. 39  
350 Shares

8th day of May 1930

Franceska C. Kirkpatrick



39

350

# Chandis Securities Company

CAPITAL STOCK \$500,000.000

**THIS CERTIFIES THAT** FRANCESKA C. KIRKPATRICK *is the*  
*owner of* THREE HUNDRED FIFTY *Shares of the Capital Stock of*  
**Chandis Securities Company**  
*transferable only on the Books of the Corporation in person*  
*or by Attorney on surrender of this Certificate.*

**In Witness Whereof**, the duly authorized officers of this Corporation have hereunto  
subscribed their names and caused the corporate seal to be hereunto affixed  
this 7TH day of MAY 1930



*Marian Otis Chandler*  
SECRETARY  
*Harry Chandler*  
PRESIDENT

SHARES

\$10000

EACH



[Reverse of Stock Certificate No. 39.]

Certificate for 350 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Franceska C. Kirkpatrick.

Dated May 7th, 1930.

For value received.....hereby sell, transfer and assign to.....

.....  
Shares of Stock within mentioned and hereby authorize..... to make the necessary transfer on the Books of the Corporation.

Witness.....hand and seal this.....  
day of....., 19.....

.....  
Witnessed by  
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[197]



Certificate

No. 40

350 Shares  
Issued to  
C. Goodan

May 7, 1930  
Transferred from  
Reissue of #18

Nov. 23. 1916	
Not Original	No. of Shares
Shares	Transferred
35	350

VED CERTIFICATE NO. 40

350 Shares

29th day of May

C. Goodan

40

40

**Chandis Securities Company**  
CAPITAL STOCK \$500,000.000

**THIS CERTIFIES THAT** MAY C. GOODAN *is the*  
*owner of* THREE HUNDRED FIFTY *Shares of the Capital Stock of*  
**Chandis Securities Company**  
*transferable only on the Books of the Corporation in person*  
*or by Attorney on surrender of this Certificate.*  
**In Witness Whereof**, the duly authorized officers of this Corporation have hereunto  
subscribed their names and caused the corporate seal to be hereunto affixed  
this 7TH day of MAY A.D. 1930  
Marian Otis Chandler Henry Chandler  

SHARES  
\$10000  
EACH



[Reverse of Stock Certificate No. 40.]

Certificate for 350 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to May C. Goodan.

Dated May 7th, 1930.

For value received.....hereby sell, trans-  
fer and assign to.....

.....  
Shares of Stock within mentioned and hereby au-  
thorize..... to make  
the necessary transfer on the Books of the Corpora-  
tion.

Witness.....hand and seal this.....  
day of....., 19.....

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Witnessed by  
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[199]



Certificate

No. 41

350 Shares  
Issued to  
Helen Chandler

May 7, 1930  
Transferred from  
Receipt of #28

Feb 4 1928	No. of Original Shares	No. of Shares Transferred
	28	350

D CERTIFICATE NO. 41  
350 Shares

8th day of May, 1930

Helen Chandler



# Chandis Securities Company

CAPITAL STOCK \$500,000.000

**THIS CERTIFIES THAT**

owner of **THREE HUNDRED FIFTY**

**HELEN CHANDLER** is the

**Shares of the Capital Stock of**

**Chandis Securities Company**

*transferable only on the Books of the Corporation in person or by Attorney on surrender of this Certificate.*



**In Witness Whereof**, the duly authorized officers of this Corporation have hereunto subscribed their names and caused the corporate Seal to be hereunto affixed

this 7th day of MAY A.D. 1930

*Marianne Otis Chandler*

SECRETARY

*Lang Chouahs*

PRESIDENT

**SHARES**

**350**

**EACH**



[Reverse of Stock Certificate No. 41.]

Certificate for 350 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Helen Chandler.

Dated May 7th, 1930.

For value received.....hereby sell, trans-  
fer and assign to.....

.....  
Shares of Stock within mentioned and hereby au-  
thorize..... to make  
the necessary transfer on the Books of the Corpora-  
tion.

Witness.....hand and seal this.....  
day of....., 19.....

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Witnessed by  
.....

[201]



Certificate

No. 42

350 Shares

Issued to

Philip Chandler

May 7, 1930

Transferred from

Certificate #27

Feb. 4, 1928

No. of Original Shares	No. of Shares Transferred
35	350

CERTIFICATE NO. 42

350

Shares

8th day of May 1930

Philip Chandler





## [Reverse of Stock Certificate No. 42.]

Certificate for 350 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Philip Chandler.

Dated May 7th, 1930.

For value received.....hereby sell, trans-  
fer and assign to.....

.....  
Shares of Stock within mentioned and hereby au-  
thorize..... to make  
the necessary transfer on the Books of the Corpora-  
tion.

Witness.....hand and seal this.....  
day of....., 19.....

.....  
Witnessed by

.....



Certificate

No. 43

350 Shares

Issued to  
C. Williamson

May 7, 1930

Transferred from

Sum of \$14,000.00  
#12 11/23/12

20 12/30/16 19

At Original Shares	No. of Shares Transferred
30 5	350

CERTIFICATE NO. 43

350 Shares

28th day of May, 1930

C. Williamson

# Chandis Securities Company

CAPITAL STOCK \$500,000.000

**THIS CERTIFIES THAT:** RUTH C WILLIAMSON is the  
owner of THREE HUNDRED FIFTY Shares of the Capital Stock of  
**Chandis Securities Company**  
transferable only on the Books of the Corporation in person  
or by Attorney on surrender of this Certificate.

**In Witness Whereof,** the duly authorized officers of this Corporation have hereunto  
subscribed their names and caused the corporate Seal to be hereunto affixed  
this 7th day of MAY A.D. 1930

Meriam Otis Chandler  
Vice President

Lang Chandler  
President

SHARES  
5000  
EACH



[Reverse of Stock Certificate No. 43.]

Certificate for 350 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Ruth C. Williamson.

Dated May 7th, 1930.

For value received.....hereby sell, trans-  
fer and assign to.....

.....  
Shares of Stock within mentioned and hereby au-  
thorize..... to make  
the necessary transfer on the Books of the Corpora-  
tion.

Witness.....hand and seal this.....  
day of....., 19.....

.....  
Witnessed by  
.....



Certificate

No. 44

350 Shares  
Issued to  
Harrison G. Chandler

May 7, 1930  
Transferred from  
Issue of #26

Feb. 4, 1928	Not Original	No. of Shares
	Shares	Transferred
	35	350

CERTIFICATE NO. 44  
350 Shares

the day of May, 1930

H. G. Chandler



# Chandia Securities Company

CAPITAL STOCK \$500,000.000

**THIS CERTIFIES THAT:** HARRISON G. CHANDLER is the  
owner of THREE HUNDRED FIFTY Shares of the Capital Stock of  
**Chandia Securities Company**  
transferable only on the Books of the Corporation in person  
or by Attorney on surrender of this Certificate.

**In Witness Whereof,** the duly authorized officers of this Corporation have hereunto  
subscribed their names and caused the corporate seal to be hereunto affixed  
this 7TH day of MAY, A.D. 1930

Marian Otis Chandler SECRETARY  
H. G. Chandler PRESIDENT

SHARES

\$10000

EACH





[Reverse of Stock Certificate No. 44.]

Certificate for 350 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Harrison G. Chandler.

Dated May 7th, 1930.

For value received.....hereby sell, transfer and assign to.....

.....  
Shares of Stock within mentioned and hereby authorize..... to make the necessary transfer on the Books of the Corporation.

Witness.....hand and seal this.....  
day of....., 19.....

.....  
Witnessed by  
.....

[207]



Certificate

No. 45

350 Shares

Issued to  
Constance Chandler

May 7, 1930

Transferred from

No. 11, 17

# 11 11/23/16

19 12/20/16 19

No. of Original Shares	No. of Shares Transferred
30	350
5	

CERTIFICATE NO. 45

350

Shares

8th day of May 1930

Constance Chandler





[Reverse of Stock Certificate No. 45.]

Certificate for 350 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Constance Chandler.

Dated May 7th, 1930.

For value received.....hereby sell, trans-  
fer and assign to.....

.....  
Shares of Stock within mentioned and hereby au-  
thorize..... to make  
the necessary transfer on the Books of the Corpora-  
tion.

Witness.....hand and seal this.....  
day of....., 19.....

.....  
Witnessed by  
.....



Certificate

No. 46

350 Shares  
Issued to  
Norman Chandler

May 1, 1930  
Transferred from

Feb. 4, 1928  
No. of Shares Transferred  
35 350

CERTIFICATE NO. 46  
350 Shares

27 day of May, 1930

Norman Chandler



# Chandis Securities Company

CAPITAL STOCK \$500,000.000

THIS CERTIFIES THAT

NORMAN CHANDLER

is the

owner of THREE HUNDRED FIFTY

Shares of the Capital Stock of

Chandis Securities Company

transferable only on the Books of the Corporation in person  
or by Attorney on surrender of this Certificate.

In Witness Whereof, the duly authorized officers of this Corporation have hereunto  
subscribed their names and caused the corporate seal to be hereunto affixed  
this 7TH day of MAY 1930

Norman Otis Chandler  
SECRETARY

Harry Chandler  
PRESIDENT

SHARES  
\$10000  
EACH



[Reverse of Stock Certificate No. 46.]

Certificate for 350 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Norman Chandler.

Dated May 7th, 1930.

For value received.....hereby sell, trans-  
fer and assign to.....

.....  
Shares of Stock within mentioned and hereby au-  
thorize..... to make  
the necessary transfer on the Books of the Corpora-  
tion.

Witness.....hand and seal this.....  
day of....., 19.....

.....  
Witnessed by  
.....

[211]



Certificate

No. 47

— 200 — Shares  
Issued to  
Harry Chandler

May 7, 1930  
Transferred from  
none of # 1

Nov. 23, 1916	
No. of Original Shares	No. of Shares Transferred
20	200

CERTIFICATE NO. 47

200 Shares

1 day of May, 1930

Harry Chandler





[Reverse of Stock Certificate No. 47.]

Certificate for 200 Shares of the Capital Stock  
—Chandis Securities Company.

Issued to Harry Chandler.

Dated May 7th, 1930.

For value received.....hereby sell, trans-  
fer and assign to.....

.....  
Shares of Stock within mentioned and hereby au-  
thorize..... to make  
the necessary transfer on the Books of the Corpora-  
tion.

Witness.....hand and seal this.....  
day of....., 19.....

.....  
Witnessed by  
.....





CREDIT APR - 1930

2-6



*vs. Marian Otis Chandler*

[Title of Court and Cause.]

PRAECIPE FOR RECORD.

To the Clerk of the United States Board of Tax Appeals:

You will please prepare, transmit and deliver to the Clerk of the United States Circuit Court of Appeals for the Ninth Circuit, copies duly certified as correct of the following documents and records in the above-entitled cause in connection with the petition for review by the said Circuit Court of Appeals for the Ninth Circuit, heretofore filed by the Commissioner of Internal Revenue:

1. Docket entries of the proceedings before the Board.
2. Pleadings before the Board:
  - (a) Petition, including annexed copy of deficiency letter.
  - (b) Answer.
  - (c) Amended petition.
  - (d) Answer to amended petition .
3. Memorandum opinion of the Board entered April 9, 1934.
4. Motion for reconsideration.
5. Order directing the memorandum opinion be reviewed by the Board. [214]
6. Findings of fact, opinion and decision of the Board.
7. Petition for review, together with proof of service of notice of filing petition for review and service of a copy of petition for review.



*Comm. of Internal Revenue*

8. Stipulation of fact.
9. Statement of evidence as settled and allowed.
10. Petitioner's exhibits 1 to 5, inclusive.
11. This praecipe.

(Signed) HERMAN OLIPHANT,  
General Counsel for the  
Department of the Treasury.

Service of a copy of the within praecipe is hereby  
acknowledged this 17 day of Feb., 1936.

(s) A. CALDER MACKAY,  
Attorney for Respondent.

tco

1-25-36

[Endorsed]: Filed Feb. 18, 1936. [215]

*vs. Marian Otis Chandler*

United States Board of Tax Appeals  
Washington

Docket No. 67468

COMMISSIONER OF INTERNAL REVENUE,  
Petitioner,

v.

MARIAN OTIS CHANDLER,

Respondent.

CERTIFICATE.

I, B. D. Gamble, clerk of the U. S. Board of Tax Appeals, do hereby certify that the foregoing pages, 1 to 215, inclusive, contain and are a true copy of the transcript of record, papers, and proceedings on file and of record in my office as called for by the Praeceptum in the appeal (or appeals) as above numbered and entitled.

In testimony whereof, I hereunto set my hand and affix the seal of the United States Board of Tax Appeals, at Washington, in the District of Columbia, this 30th day of June, 1936.

[Seal] B. D. GAMBLE,

Clerk, United States Board of Tax Appeals.

*Comm. of Internal Revenue*

[Endorsed]: No. 8262. United States Circuit Court of Appeals for the Ninth Circuit. Commissioner of Internal Revenue, Petitioner, vs. Marian Otis Chandler, Respondent. Transcript of the Record. Upon Petition to Review an Order of the United States Board of Tax Appeals.

Filed July 6, 1936.

PAUL P. O'BRIEN

Clerk of the United States Circuit Court of Appeals  
for the Ninth Circuit.